



Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial statements
for the year ended 30 June 2015
Auditor-General of South Africa (AGSA)

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2015

General Information

Legal form of entity	A Municipality which is an organ of state within the local sphere of government exercising legislative and executing authority.
Nature of business and principal activities	A Local Authority providing municipal services and maintaining the best interest of the community in the Setsoto Municipal area.
Mayor Executive Committee	Jakobo, Tshediso Koalane, Komane Mthimkhulu, Motena Mahlangu, Matseliso Makhalanyane, Tieho Makae, Thabang Strydom, Evert
Councillors	Mohlomi, Molefi - Speaker Mothibeli, Moselantja Mohapi, Dieketseng Mokhuoane, Krog Motsei, Matlakala Selasi, Motsamai Mabeleng, William Nakasi, Mojabeng Bath, Henry Thamae, Motsamai Hlakane, Moeketsi Mohala, Vunga Kere, Lefa Mavaleliso, Pakalitha Semahla, Mookho Maphisa, Mapuleng Muso, Thepiso Tsolo, Thabiso Malebo, Matsiliso Fuso, Sabata Raboroko, Mantwa Mohase, Teboho Selai, Lithebe Lubbe, Cornelias Du Toit, Benjamin Marwick, Clive (Dr) Bester, Catherine Maduna, Mbothoma
Grading of local authority	06 - Medium Capacity
Accounting Officer	Mr. S T R Ramakarane
Chief Finance Officer (CFO)	Mr. G T Banda
Registered office	27 Voortrekkers Street Ficksburg 9730

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General Information

Postal address	P O Box 116 Ficksburg 9730
Bankers	First National Bank (FNB)
Auditors	Auditor-General of South Africa (AGSA)
Acting Legal Manager	Mr. L. Motloun P O Box 116, Ficksburg, 9730
Telephone Number	(051) 933 9300
Fax Number	(051) 933 9363
E-mail Address	manager@setsoto.co.za

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IGRAP	Interpretation of the Standards of Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PT	Provincial Treasury (Free State)
COGTA	Department of Cooperative Governance and Traditional Affairs
IFRS	International Financial Reporting Standards

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act, to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern and that the Setsoto Municipality has neither the intention nor the need to liquidate or curtail materially its scale.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The financial statements set out on pages 8 to 82, which have been prepared on the going concern basis (Please refer to Note 55), were approved by the accounting officer on 31 August 2015 :

Mr. STR Ramakarane
Accounting Officer

31 August 2015

Audit & Performance Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2015.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. During the current year 6 number of meetings were held.

Name of member	Number of meetings attended
Dr N Maharai (Chairperson) - Resigned 6 May 2015	3
Mr. H B Mathibela (Chairperson)- Appointed 20 May 2015	6
Mr. T Zororo	3
Mr. D S Moletsane	6
Mr. S P Simelane	5

All members are independent, with no interest in the management or conduct of the business of the Municipality and the members of the Audit and Performance Audit Committee were appointed on the 11 December 2013. The Chairperson resigned on 6 May 2015 and Council accepted her resignation on 20 May 2015. A new chairperson was also appointed on that same Council meeting.

Audit and Performance Committee responsibility

The Audit and Performance Audit Committee reports complies with its responsibilities arising from section 166(2)(a) and (b) of the MFMA.

The Audit and Performance Audit Committee has adopted appropriate formal terms of reference as its Audit and Performance Committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is considered generally adequate in design and is partially ineffective in its implementation on some entities and this was evident by the reasonable assurance given by the Internal Audit Unit. The identification of corrective actions and suggested enhancements to the controls were done through risk management process and interaction with management on the action plan on audited report.

Evaluation of financial statements

The Audit and Performance Audit Committee has:

- reviewed and discussed the unaudited financial statements that will be presented to the Auditor-General South Africa;
- reviewed changes in accounting policies and practices;
- reviewed the adjustment made which appear on notes of prior period error and re-classification

Internal audit

The Audit and Performance Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The Audit and Performance Audit Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit and Performance Audit Committee

Date: _____



A U D I T O R - G E N E R A L

Report of the Auditor General

To the Provincial Legislature of Setsoto Local Municipality

Report on the financial statements

This report will be inserted after the completion of the audit.

**Auditor-General of South Africa (AGSA)
Registered Auditors**

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

The municipality is a local authority providing municipal services and maintaining the best interest of the community in the Setsoto Municipal area.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements.

Net deficit of the municipality was R 166,427,213 (2014: deficit R 160,979,093).

2. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had accumulated surplus of R 3,336,542,550 and that the municipality's total assets exceed its liabilities by R 3,336,542,550.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality operate on a favourable bank balance for the financial year.

The municipality is aware of the debtors that is increasing and the reduction of it will be the implementation of the revenue enhancement strategy that has been approved by Council and it was implemented in the current financial in phases and it will have an affect on the cash flow forecast for financial year 30 June 2016.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that would impact on the financial results as disclosed in these financial statements.

4. Accounting Officer's interest in contracts

The Accounting Officer had no interest in any contracts.

5. Accounting policies

The financial statements prepared in accordance with the South African Standards of Generally Recognized Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Retirement benefit obligation

The valuation in line with the requirements of GRAP 25 and have determined the items required for disclosure in terms of this standard.

Refer to note 21 for detail about this valuations.

7. Non-current assets

There were no major changes in the nature of the non-current assets of the municipality during the year .

8. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is:

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Accounting Officer's Report

Name	Nationality
Mr. STR Ramakarane	RSA

9. Auditors

Auditor-General of South Africa (AGSA) will continue in office for the next financial period.

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Statement of Financial Position as at 30 June 2015

	Note(s)	2015 R	2014 R
Assets			
Current Assets			
Inventories	3	4,122,319	3,992,369
Trade and Other Receivables from Exchange Transactions	5	95,673,547	59,871,293
Receivables from non-exchange transactions	6	31,422,447	17,866,887
VAT receivable	7	41,600,390	55,371,821
Current portion of Receivables	8	-	1,294
Cash and cash equivalents	9	3,702,108	12,597,635
		176,520,811	149,701,299
Non-Current Assets			
Investment property	10	70,447,218	76,210,633
Property, plant and equipment	11	3,193,302,026	3,401,214,710
Intangible assets	12	3,477,031	2,693,453
Heritage assets	13	15,385,903	15,385,903
Other financial assets	4	3,105,173	2,599,033
		3,285,717,351	3,498,103,732
Non-Current Assets		3,285,717,351	3,498,103,732
Current Assets		176,520,811	149,701,299
Total Assets		3,462,238,162	3,647,805,031
Liabilities			
Current Liabilities			
Other financial liabilities	14	541,222	477,638
Payables from exchange transactions	16	52,922,873	42,745,589
VAT Payable	17	-	29,290,116
Consumer deposits	18	2,429,002	2,282,424
Unspent conditional grants and receipts	19	806,883	4,320,809
Provisions	20	1,207,000	1,168,000
		57,906,980	80,284,576
Non-Current Liabilities			
Other financial liabilities	14	6,284,291	6,825,513
Employee benefit obligation	21	43,612,805	41,184,805
Provisions	20	17,891,536	16,493,836
		67,788,632	64,504,154
Non-Current Liabilities		67,788,632	64,504,154
Current Liabilities		57,906,980	80,284,576
Total Liabilities		125,695,612	144,788,730
Assets		3,462,238,162	3,647,805,031
Liabilities		(125,695,612)	(144,788,730)
Net Assets		3,336,542,550	3,503,016,301
Accumulated surplus	60	3,336,542,550	3,503,016,301

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Statement of Financial Performance

	Note(s)	2015 R	2014 R
Revenue			
Revenue from exchange transactions			
Service charges	23	143,686,593	110,345,834
Rental of facilities and equipment	24	1,298,235	701,364
Licences and permits		13,553	21,064
Sale of land		824,007	286,297
Insurance Claims		306,953	28,236
Other income	25	8,612,732	17,392,176
Interest earned	26	22,451,377	22,291,885
Dividends received	26	32,189	29,974
Total revenue from exchange transactions		177,225,639	151,096,830
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	43,603,981	33,441,460
Transfer revenue			
Government grants & subsidies	28	250,595,751	269,010,866
Fines, Penalties and Forfeits		1,926,679	1,428,150
Total revenue from non-exchange transactions		296,126,411	303,880,476
		177,225,639	151,096,830
		296,126,411	303,880,476
Total revenue	29	473,352,050	454,977,306
Expenditure			
Employee related costs	30	154,017,291	133,588,388
Remuneration of councillors	31	9,884,247	9,431,747
Depreciation and amortisation	33	288,936,812	263,680,280
Impairment Traffic Fines	34	1,326,800	1,052,928
Finance costs	35	918,796	1,041,054
Lease rentals on operating lease		8,529,014	8,512,523
Debt Impairment	36	25,097,238	57,167,595
Collection costs		18,622	763,607
Repairs and maintenance		21,202,523	19,843,289
Bulk purchases	37	53,594,386	52,561,888
Contracted services	38	7,582,086	7,259,404
Transfers and Subsidies	39	20,315,947	3,876,829
Loss on disposal of assets	40	87,524	5,670,141
General Expenses	41	48,267,977	51,354,429
Total expenditure		639,779,263	615,804,102
		-	-
Total revenue		473,352,050	454,977,306
Total expenditure		(639,779,263)	(615,804,102)
Operating deficit		(166,427,213)	(160,826,796)
Deficit before taxation		(166,427,213)	(160,826,796)
Taxation		-	-
Deficit for the year		(166,427,213)	(160,826,796)

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Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2013	3,662,962,257	3,662,962,257
Changes in net assets		
Corrections effecting previous years	1,690	1,690
Heritage Assets in terms of GRAP 103 accounted for:	879,150	879,150
Net income (losses) recognised directly in net assets	880,840	880,840
Surplus/(deficit) for the year	(160,826,796)	(160,826,796)
Total recognised income and expenses for the year	(159,945,956)	(159,945,956)
Total changes	(159,945,956)	(159,945,956)
Balance at 01 July 2014	3,503,016,299	3,503,016,299
Changes in net assets		
Corrections effecting previous years	(46,536)	(46,536)
Net income (losses) recognised directly in net assets	(46,536)	(46,536)
Surplus/(deficit) for the year	(166,427,213)	(166,427,213)
Total recognised income and expenses for the year	(166,473,749)	(166,473,749)
Total changes	(166,473,749)	(166,473,749)
Balance at 30 June 2015	3,336,542,550	3,336,542,550

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Cash Flow Statement

	Note(s)	2015 R	2014 R
Cash flows from operating activities			
Receipts			
Property Rates		28,724,981	29,361,027
Sale of goods and services		158,900,512	85,433,373
Grants		250,595,751	270,948,426
Interest income		2,457,920	2,902,981
Dividends received		32,189	29,974
Other receipts		12,982,159	19,857,287
		<u>453,693,512</u>	<u>408,533,068</u>
Payments			
Employee costs		(163,901,538)	(143,020,135)
Suppliers		(219,100,281)	(170,663,332)
Finance costs		(918,796)	(1,041,054)
Other cash item		(227,323)	-
		<u>(384,147,938)</u>	<u>(314,724,521)</u>
Total receipts		453,693,512	408,533,068
Total payments		(384,147,938)	(314,724,521)
Net cash flows from operating activities	42	<u>69,545,574</u>	<u>93,808,547</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(74,539,120)	(91,616,402)
Disposal of property, plant and equipment	11	150,523	6,379,055
Purchase of investment property	10	-	(1,699,615)
Purchase of other intangible assets	12	(1,655,696)	(2,047,225)
Purchases of heritage assets	13	-	(879,150)
Proceeds from sale of financial assets		(506,140)	(392,422)
Impairment of fines		(1,325,506)	-
Proceeds from sale of non current receivables an loss on sale of assets		(87,524)	(5,670,141)
Purchase of other asset 2		-	(1,049,355)
Net cash flows from investing activities		<u>(77,963,463)</u>	<u>(96,975,255)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(477,638)	(419,800)
Finance lease payments		-	(703,212)
Net cash flows from financing activities		<u>(477,638)</u>	<u>(1,123,012)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(8,895,527)</u>	<u>(4,289,720)</u>
Cash and cash equivalents at the beginning of the year		12,597,635	16,887,355
Cash and cash equivalents at the end of the year	9	<u>3,702,108</u>	<u>12,597,635</u>

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	130,275,803	20,853,981	151,129,784	143,686,593	(7,443,191)	Income forgone treated as income during the year
Rental of facilities and equipment	794,232	626,814	1,421,046	1,298,235	(122,811)	
Licences and permits	40,000	(17,767)	22,233	13,553	(8,680)	
Sale of land and erven	540,000	(474,483)	65,517	824,007	758,490	Increase in land sales
Insurance claims	-	-	-	306,953	306,953	
Other income - (rollup)	2,677,200	(1,150,218)	1,526,982	8,612,732	7,085,750	Increase in sundry services
Interest received - investment	34,391,200	(11,209,200)	23,182,000	22,451,377	(730,623)	Increase debtors control resulted in less interest
Dividends received	35,000	-	35,000	32,189	(2,811)	
Total revenue from exchange transactions	168,753,435	8,629,127	177,382,562	177,225,639	(156,923)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	39,956,768	(4,956,768)	35,000,000	43,603,981	8,603,981	The effect of the implementation of the new valuation roll
Transfer revenue						
Government grants & subsidies	239,690,001	(7,610,000)	232,080,001	250,595,751	18,515,750	Ad Hoc grants received during the year from Government
Fines, Penalties and Forfeits	291,600	(136,514)	155,086	1,926,679	1,771,593	Increase in traffic control
Total revenue from non-exchange transactions	279,938,369	(12,703,282)	267,235,087	296,126,411	28,891,324	
'Total revenue from exchange transactions'	168,753,435	8,629,127	177,382,562	177,225,639	(156,923)	
'Total revenue from non-exchange transactions'	279,938,369	(12,703,282)	267,235,087	296,126,411	28,891,324	
Total revenue	448,691,804	(4,074,155)	444,617,649	473,352,050	28,734,401	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	
Expenditure						
Personnel	(146,763,914)	(1,372,997)	(148,136,911)	(154,017,291)	(5,880,380)	Less than 10% deviation
Remuneration of councillors	(9,567,851)	32,000	(9,535,851)	(9,884,247)	(348,396)	Less than 10% deviation
Depreciation and amortisation	(34,782,470)	10,000,000	(24,782,470)	(288,936,812)	(264,154,342)	This main reason for this was the impairment of the road infrastructure
Impairment loss/ Reversal of impairments	-	-	-	(1,326,800)	(1,326,800)	
Finance costs	(997,000)	105,000	(892,000)	(918,796)	(26,796)	
Lease rentals on operating lease	(2,178,783)	(4,792,909)	(6,971,692)	(8,529,014)	(1,557,322)	A lot of equipment hire during the year for unexpected repairs
Bad debts written off	(69,000,000)	25,000,000	(44,000,000)	(25,097,238)	18,902,762	Debtors written off during financial period
Collection costs	(250,000)	(3,088)	(253,088)	(18,622)	234,466	
Repairs and maintenance	(16,901,505)	(7,871,767)	(24,773,272)	(21,202,523)	3,570,749	Unexpected repairs during the year
Bulk purchases	(58,242,000)	-	(58,242,000)	(53,594,386)	4,647,614	Saving due to demand control
Contracted Services	(3,994,320)	(2,505,680)	(6,500,000)	(7,582,086)	(1,082,086)	
Transfers and Subsidies	(8,228,000)	(3,252,000)	(11,480,000)	(20,315,947)	(8,835,947)	Income forgone treated as transfer and grants during the year
General Expenses	(35,989,825)	(8,805,593)	(44,795,418)	(48,267,977)	(3,472,559)	Increase departmental usage
Total expenditure	(386,895,668)	6,532,966	(380,362,702)	(639,691,739)	(259,329,037)	
	448,691,804	(4,074,155)	444,617,649	473,352,050	28,734,401	
	(386,895,668)	6,532,966	(380,362,702)	(639,691,739)	(259,329,037)	
Operating deficit	61,796,136	2,458,811	64,254,947	(166,339,689)	(230,594,636)	
Loss on disposal of assets and liabilities	-	-	-	(87,524)	(87,524)	
	61,796,136	2,458,811	64,254,947	(166,339,689)	(230,594,636)	
	-	-	-	(87,524)	(87,524)	
Deficit before taxation	61,796,136	2,458,811	64,254,947	(166,427,213)	(230,682,160)	
Surplus before taxation	61,796,136	2,458,811	64,254,947	(166,427,213)	(230,682,160)	
Taxation	-	-	-	-	-	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R		
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	61,796,136	2,458,811	64,254,947	(166,427,213)	(230,682,160)	
Reconciliation						

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Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2015											
Financial Performance											
Property rates	39,956,768	(4,956,768)	35,000,000	-		35,000,000	43,603,981		8,603,981	125 %	109 %
Service charges	130,275,803	20,853,981	151,129,784	-		151,129,784	143,686,593		(7,443,191)	95 %	110 %
Investment revenue	34,426,200	(11,209,200)	23,217,000	-		23,217,000	22,483,566		(733,434)	97 %	65 %
Transfers recognised - operational	180,030,001	(3,488,000)	176,542,001	-		176,542,001	189,935,750		13,393,749	108 %	106 %
Other own revenue	4,343,032	(1,152,168)	3,190,864	-		3,190,864	12,982,159		9,791,295	407 %	299 %
Total revenue (excluding capital transfers and contributions)	389,031,804	47,845	389,079,649	-		389,079,649	412,692,049		23,612,400	106 %	106 %
Employee costs	(146,763,914)	(1,372,997)	(148,136,911)	-	-	(148,136,911)	(154,017,291)	-	(5,880,380)	104 %	105 %
Remuneration of councillors	(9,567,851)	32,000	(9,535,851)	-	-	(9,535,851)	(9,884,247)	-	(348,396)	104 %	103 %
Debt impairment	(69,000,000)	25,000,000	(44,000,000)			(44,000,000)	(25,097,238)	-	18,902,762	57 %	36 %
Depreciation and asset impairment	(34,782,470)	10,000,000	(24,782,470)			(24,782,470)	(290,263,612)	-	(265,481,142)	1,171 %	835 %
Finance charges	(997,000)	105,000	(892,000)	-	-	(892,000)	(918,796)	-	(26,796)	103 %	92 %
Materials and bulk purchases	(58,242,000)	-	(58,242,000)	-	-	(58,242,000)	(53,594,386)	-	4,647,614	92 %	92 %
Transfers and grants	(8,228,000)	(3,252,000)	(11,480,000)	-	-	(11,480,000)	(20,315,947)	-	(8,835,947)	177 %	247 %
Other expenditure	(59,314,433)	(23,979,037)	(83,293,470)	-	-	(83,293,470)	(85,687,746)	-	(2,394,276)	103 %	144 %
Total expenditure	(386,895,668)	6,532,966	(380,362,702)	-	-	(380,362,702)	(639,779,263)	-	(259,416,561)	168 %	165 %
Total revenue (excluding capital transfers and contributions)	389,031,804	47,845	389,079,649	-	-	389,079,649	412,692,049	-	23,612,400	106 %	106 %
Total expenditure	(386,895,668)	6,532,966	(380,362,702)	-	-	(380,362,702)	(639,779,263)	-	(259,416,561)	168 %	165 %
Surplus/(Deficit)	2,136,136	6,580,811	8,716,947	-		8,716,947	(227,087,214)		(235,804,161)	(2,605)%	(10,631)%

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2015

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	59,660,000	(4,122,000)	55,538,000	-		55,538,000	60,660,001		5,122,001	109 %	102 %
Surplus/(Deficit)	2,136,136	6,580,811	8,716,947	-	-	8,716,947	(227,087,214)	-	(235,804,161)	(2,605)%	(10,631)%
Capital transfers and contributions	59,660,000	(4,122,000)	55,538,000	-	-	55,538,000	60,660,001	-	5,122,001	109 %	102 %
Surplus (Deficit) after capital transfers and contributions	61,796,136	2,458,811	64,254,947	-		64,254,947	(166,427,213)		(230,682,160)	(259)%	(269)%
Surplus (Deficit) after capital transfers and contributions	61,796,136	2,458,811	64,254,947	-	-	64,254,947	(166,427,213)	-	(230,682,160)	(259)%	(269)%
Surplus/(Deficit) for the year	61,796,136	2,458,811	64,254,947	-		64,254,947	(166,427,213)		(230,682,160)	(259)%	(269)%
Capital expenditure and funds sources											
Total capital expenditure	4,700,002	2,711,544	7,411,546	-		7,411,546	28,963,686		21,552,140	391 %	616 %

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Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Cash flows											
Net cash from (used) operating	-	-	-	-	-	-	69,545,574		69,545,574	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-	-	-	(77,963,463)		(77,963,463)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-	-	-	(477,638)		(477,638)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	-	-	-	-	-	-	(8,895,527)		(8,895,527)	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-	12,597,635		12,597,635	DIV/0 %	DIV/0 %
Net increase / (decrease) in cash and cash equivalents	-	-	-	-	-	-	(8,895,527)	-	8,895,527	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-	12,597,635	-	(12,597,635)	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	-	-	-	-	-	-	3,702,108		(3,702,108)	DIV/0 %	DIV/0 %

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Financial Statements for the year ended 30 June 2015

Appropriation Statement

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	R
2014				
Financial Performance				
Property rates				33,441,460
Service charges				110,345,834
Investment revenue				22,321,859
Transfers recognised - operational				190,410,207
Other own revenue				19,857,287
Total revenue (excluding capital transfers and contributions)				376,376,647
Employee costs	-	-	-	(133,588,388)
Remuneration of councillors	-	-	-	(9,431,747)
Debt impairment	-	-	-	(57,167,595)
Depreciation and asset impairment	-	-	-	(264,733,208)
Finance charges	-	-	-	(1,041,054)
Materials and bulk purchases	-	-	-	(52,561,888)
Transfers and grants	-	-	-	(3,876,829)
Other expenditure	-	-	-	(93,403,393)
Total expenditure	-	-	-	(615,804,102)
Total revenue (excluding capital transfers and contributions)	-	-	-	376,376,647
Total expenditure	-	-	-	(615,804,102)
Surplus/(Deficit)				(239,427,455)
Transfers recognised - capital				78,600,659
Surplus/(Deficit)	-	-	-	(239,427,455)
Capital transfers and contributions	-	-	-	78,600,659
Surplus (Deficit) after capital transfers and contributions				(160,826,796)

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Financial Statements for the year ended 30 June 2015

Appropriation Statement

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	v
Surplus (Deficit) after capital transfers and contributions	-	-	-	(160,826,796)
Surplus/(Deficit) for the year				(160,826,796)
Capital expenditure and funds sources				
Cash flows				
Net cash from (used) operating				93,808,547
Net cash from (used) investing				(96,975,255)
Net cash from (used) financing				(1,123,012)
Net increase/(decrease) in cash and cash equivalents				(4,289,720)
Cash and cash equivalents at the beginning of the year				15,428,196
Net increase / (decrease) in cash and cash equivalents	-	-	-	(4,289,720)
Cash and cash equivalents at the beginning of the year	-	-	-	15,428,196
Cash and cash equivalents at year end				11,138,476

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at reporting date, and are discounted to the present value where the time value effect is material. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment as well as the intangible assets. The municipality re-assess the useful lives and the residual value on an annual basis, considering the conditional and use of the individual assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that will be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 21.

Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that material impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

GRAP 24: Presentation of budget information

The municipality is required to present a comparison of the budget amounts for which it is held publicly accountable and actual. The comparison of budget and actual amounts present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	5 - 30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Accounting Policies

1.4 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the Municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Accounting Policies

1.4 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	
• Land	Infinite
Buildings	
• Buildings	30 years
Infrastructure	
• Electricity	20 - 30 years
• Roads	10 - 30 years
• Water	15 - 20 years
Community	
• Buildings	30 years
• Recreational facilities	20 years
• Security measures	3 - 5 years
Other assets	
• Office equipment	3 - 7 years
• Furniture and fittings	7 - 10 years
• Motor vehicles	5 - 7 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.4 Property, plant and equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 - 5 years

Accounting Policies

1.5 Intangible assets (continued)

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.6 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Accounting Policies

1.6 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.7 Financial instruments

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Accounting Policies

1.8 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Accounting Policies

1.11 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.12 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.13 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by entities in rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed on their use.

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

An entity needs to assess the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants should only be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue should only be recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. For example, equitable share grants per the Division of Revenue Act where the period of use of such funds is stated, should be recognised on a time proportion basis, i.e. over the stated period. Where there is no restriction on the period, such revenue should be recognised on receipt or when the Act becomes effective, whichever is earlier.

In certain circumstances government will only remit grants on a re-imbursement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

Other Grants and Donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

Other grants and donations shall be recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

1.14 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Accounting Policies

1.14 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.15 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.16 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

1.17 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Accounting Policies

1.17 Impairment of cash-generating assets (continued)

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.18 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Accounting Policies

1.18 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.19 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.19 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Accounting Policies

1.19 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.19 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Accounting Policies

1.19 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.19 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.19 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.20 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.20 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 57.

1.21 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

When uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.21 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Revenue from the rental of facilities and equipment is recognised on a straight-lined basis over the term of the lease agreement.

1.22 Revenue from non-exchange transactions

1.23 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.25 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Irregular expenditure

MFMA Circular No 68 and section 32 of the Municipal Finance Management Act No. 56 of 2003 states the following::

Accounting Policies

1.27 Irregular expenditure (continued)

Irregular expenditure is defined in section 1 of the MFMA as follows:

“irregular expenditure”, in relation to a municipality or municipal entity, means—

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.

In this context ‘expenditure’ refers to any use of municipal funds that is in contravention of the following legislation:

- Municipal Finance Management Act, Act 56 of 2003, and its regulations;
- Municipal Systems Act, Act 32 of 2000, and its regulations;
- Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
- The municipality's supply chain management policy, and any by-laws giving effect to that policy

Although a transaction or an event may trigger irregular expenditure, a municipality or municipal entity will only identify irregular expenditure when a payment is made, in other words, the recognition of irregular expenditure will be linked to a financial transaction. If the possibility of irregular expenditure is determined prior to a payment being made, the transgression shall be regarded as a matter of non-compliance.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.29 Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the Standard rate (14%) in terms of section 7(1)(a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality account for VAT on a monthly basis.

1.30 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2014 to 30/06/2015.

The budget for the economic entity includes all the entities approved budgets under its control.

Accounting Policies

1.30 Budget information (continued)

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.31 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

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Notes to the Financial Statements

	2015 R	2014 R
2. New standards and interpretations		
2.1 Standards and interpretations issued, but not yet effective		
The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:		
Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> GRAP 18: Segment Reporting 	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
<ul style="list-style-type: none"> GRAP 105: Transfers of functions between entities under common control 	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
<ul style="list-style-type: none"> GRAP 106: Transfers of functions between entities not under common control 	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
<ul style="list-style-type: none"> GRAP 107: Mergers 	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
<ul style="list-style-type: none"> GRAP 20: Related parties 	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
<ul style="list-style-type: none"> IGRAP 11: Consolidation – Special purpose entities 	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
<ul style="list-style-type: none"> IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures 	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
<ul style="list-style-type: none"> GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements 	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
<ul style="list-style-type: none"> GRAP 7 (as revised 2010): Investments in Associates 	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.

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Notes to the Financial Statements

2. New standards and interpretations (continued)

• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP108: Statutory Receivables	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.

3. Inventories

Consumable Stores	1,062,728	1,005,096
Water	748,591	676,273
Unsold Properties Held for Resale	2,311,000	2,311,000
	4,122,319	3,992,369

4. Other financial assets

Designated at fair value

Listed shares	956,026	889,879
Sanlam Shares		
Unlisted shares	1,121,878	736,283
OVK / EFC Shares		
	2,077,904	1,626,162

At amortised cost

Other financial assets	1,027,269	972,871
	2,077,904	1,626,162
	-	-
	1,027,269	972,871
Total other financial assets	3,105,173	2,599,033

Non-current assets

Designated at fair value	2,077,904	1,626,162
At amortised cost	1,027,269	972,871
	3,105,173	2,599,033
Non-current assets	3,105,173	2,599,033
Current assets	-	-

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	2015 R	2014 R
5. Trade and Other Receivables from Exchange Transactions		
Gross balances		
Rates	42,126,484	27,247,484
Electricity	48,872,344	40,278,945
Water	91,773,286	69,350,731
Sewerage	24,462,112	50,398,998
Refuse	37,629,197	65,479,875
Other	1,956,882	7,336,934
	246,820,305	260,092,967
Less: Allowance for impairment		
Rates	(18,765,383)	(19,750,455)
Electricity	(33,331,988)	(27,254,700)
Water	(32,987,272)	(52,922,250)
Sewerage	(15,672,774)	(39,069,345)
Refuse	(26,081,363)	(48,677,823)
Other	(946,877)	(5,050,071)
	(127,785,657)	(192,724,644)
Net balance		
Rates	23,361,101	7,497,029
Electricity	15,540,356	13,024,245
Water	58,786,014	16,428,481
Sewerage	8,789,338	11,329,653
Refuse	11,547,834	16,802,052
Other	1,010,005	2,286,863
	119,034,648	67,368,323
Included in above is receivables from exchange transactions		
Electricity	15,540,356	13,024,245
Water	58,786,014	16,428,481
Sewerage	8,789,338	11,329,653
Refuse	11,547,834	16,802,052
Other	1,010,005	2,286,862
	95,673,547	59,871,293
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	23,361,101	7,497,029
Net balance	119,034,648	67,368,322
Rates		
Current (0 -30 days)	7,111,223	2,896,102
31 - 60 days	2,959,471	1,086,803
61 - 90 days	2,712,505	1,019,570
91 - 120 days	2,044,912	2,218,616
121 - 365 days	27,298,373	20,026,393
Less: Impairment	(18,765,383)	(19,750,455)
	23,361,101	7,497,029

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Notes to the Financial Statements

	2015 R	2014 R
5. Trade and Other Receivables from Exchange Transactions (continued)		
Electricity		
Current (0 -30 days)	20,413,047	7,707,917
31 - 60 days	1,875,582	2,216,299
61 - 90 days	1,888,117	1,633,024
91 - 120 days	1,709,021	1,386,857
121 - 365 days	22,986,577	27,334,848
Less: Impairment	(33,331,988)	(27,254,700)
	15,540,356	13,024,245
Water		
Current (0 -30 days)	6,187,640	3,105,805
31 - 60 days	2,551,649	2,194,865
61 - 90 days	2,493,706	2,106,731
91 - 120 days	2,847,768	2,082,075
121 - 365 days	77,692,523	59,861,255
Less: Impairment	(32,987,272)	(52,922,250)
	58,786,014	16,428,481
Sewerage		
Current (0 -30 days)	1,635,802	1,239,141
31 - 60 days	1,461,471	1,481,142
61 - 90 days	1,437,706	1,421,591
91 - 120 days	1,433,264	1,404,049
121 - 365 days	18,493,869	44,853,075
Less: Impairment	(15,672,774)	(39,069,345)
	8,789,338	11,329,653
Refuse		
Current (0 -30 days)	1,444,441	4,175,032
31 - 60 days	1,715,011	1,773,070
61 - 90 days	1,698,851	1,673,080
91 - 120 days	1,707,483	1,679,738
121 - 365 days	31,063,411	56,178,955
Less: Impairment	(26,081,363)	(48,677,823)
	11,547,834	16,802,052
Other (specify)		
Current (0 -30 days)	1,033,727	1,082,177
31 - 60 days	137,845	118,800
61 - 90 days	107,965	133,182
91 - 120 days	91,110	161,115
121 - 365 days	586,235	5,841,660
Less: Impairment	(946,877)	(5,050,071)
	1,010,005	2,286,863

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Notes to the Financial Statements

	2015 R	2014 R
5. Trade and Other Receivables from Exchange Transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	35,906,125	9,009,400
31 - 60 days	8,503,691	7,973,532
61 - 90 days	8,280,283	6,927,325
91 - 120 days	8,142,264	7,676,547
121 - 365 days	156,801,705	174,524,381
	217,634,068	206,111,185
Industrial/ commercial		
Current (0 -30 days)	2,624,670	928,286
31 - 60 days	1,152,920	518,229
61 - 90 days	638,543	659,383
91 - 120 days	626,355	456,399
121 - 365 days	9,330,171	7,675,902
	14,372,659	10,238,199
National and provincial government		
Current (0 -30 days)	3,386,086	806,033
31 - 60 days	1,044,419	705,640
61 - 90 days	1,420,026	742,502
91 - 120 days	1,064,938	1,145,214
121 - 365 days	7,898,110	3,314,898
	14,813,579	6,714,287
Total		
Current (0 -30 days)	37,825,880	20,206,175
31 - 60 days	10,701,029	8,870,979
61 - 90 days	10,338,850	7,987,178
91 - 120 days	9,833,558	8,932,450
121 - 365 days	178,120,988	214,096,186
	246,820,305	260,092,968
Less: Allowance for impairment	(127,785,657)	(192,724,646)
	119,034,648	67,368,322
Reconciliation of allowance for impairment		
Balance at beginning of the year	(192,724,644)	(152,047,627)
Contributions to allowance	(25,097,237)	(57,167,595)
Debt impairment written off against allowance	90,036,224	16,490,578
	(127,785,657)	(192,724,644)

Consumer debtors pledged as security

No consumer debtors were pledged as security for overdraft facilities.

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Notes to the Financial Statements

	2015 R	2014 R
6. Receivables from non-exchange transactions		
Fines	685,496	350,976
Sundry Debtors	5,496,420	8,014,137
Prepayments (Eskom and Fuel Deposits)	1,879,430	2,004,745
Rates (Details as per Note 5 above)	23,361,101	7,497,029
	31,422,447	17,866,887

7. VAT receivable

VAT Receivable	41,600,390	55,371,821
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The Municipality is registered on the payment basis, therefore VAT is paid over to the South African Revenue Services (SARS) only once payment is received from debtors.

8. Non Current Receivables

Prior to the implementation of the MFMA, Council granted a long term loan to Ficksburg Squash Club for the building of a club house and squash courts. This loan is repayable to council on agreed terms and conditions. This loan was paid up during the year.

Non Current Receivables

-	1,294
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9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8,707	9,107
Bank balances	583,817	7,347,501
Short-term deposits	3,109,584	5,241,027
	3,702,108	12,597,635

Cash and cash equivalents pledged as collateral

The Municipality has a overdraft facility of R3,000,000. There is a pledge amount of R3,000,000.00 against the investment account with account number 62049046205 to secure this overdraft facility.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
FNB BANK - Current Account - 620 480 92647	574,105	7,336,317	733,772	583,817	7,347,501	(1,421,411)
FNB BANK - Business Money Market - 621 517 83563	10,732	206,552	197,375	10,732	206,552	197,375
FNB BANK - Savings Account - 620 490 46205	3,063,184	4,656,759	11,265,705	3,063,184	4,656,759	11,265,705
FNB BANK - Call Account - 623 105 40465	35,668	3,777,116	6,836,079	35,668	3,777,116	6,836,079
Total	3,683,689	15,976,744	19,032,931	3,693,401	15,987,928	16,877,748

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Notes to the Financial Statements

	2015 R	2014 R
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10. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	99,832,256	(29,385,038)	70,447,218	99,832,256	(23,621,623)	76,210,633

Reconciliation of investment property - 2015

	Opening balance	Impairments	Total
Investment property	76,210,633	(5,763,415)	70,447,218

Reconciliation of investment property - 2014

	Opening balance	Additions	Impairments	Total
Investment property	83,422,073	1,699,615	(8,911,055)	76,210,633

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

11. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	45,587,989	-	45,587,989	45,587,989	-	45,587,989
Infrastructure	4,435,190,635	(1,581,924,443)	2,853,266,192	4,364,401,513	(1,318,927,633)	3,045,473,880
Community	365,269,321	(101,834,155)	263,435,166	367,821,394	(91,626,600)	276,194,794
Other property, plant and equipment	32,570,776	(24,198,798)	8,371,978	31,087,499	(20,882,413)	10,205,086
Landfill Site	23,854,567	(1,213,866)	22,640,701	24,054,920	(301,959)	23,752,961
Total	4,902,473,288	(1,709,171,262)	3,193,302,026	4,832,953,315	(1,431,738,605)	3,401,214,710

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Notes to the Financial Statements

					2015 R	2014 R	
11. Property, plant and equipment (continued)							
Reconciliation of property, plant and equipment - 2015							
	Opening balance	Additions	Disposals	Transfers	Work in Progress	Depreciation	Impairment
Land	45,587,989	-	-	-	-	-	-
Infrastructure	3,045,473,880	23,557,992	-	-	47,231,130	(216,145,864)	(46,850,94)
Community	276,194,794	1,631,134	-	-	-	(10,207,555)	(4,183,20)
Other property, plant and equipment	10,205,086	2,118,864	(68,358)	104,000	-	(3,966,174)	(21,44)
Landfill Site	23,752,961	-	(82,165)	-	-	(911,907)	(118,18)
	3,401,214,710	27,307,990	(150,523)	104,000	47,231,130	(231,231,500)	(51,173,78)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Work in Progress	Other changes, movements	Depreciation	Total
Land	48,107,989	-	-	-	(2,520,000)	-	45,587,98
Infrastructure	3,203,389,228	378,807	-	62,214,956	(37,179,059)	(183,330,052)	3,045,473,88
Community	299,092,716	2,397,644	-	-	(14,221,422)	(11,074,144)	276,194,79
Other property, plant and equipment	16,790,748	5,818,829	(6,379,055)	-	-	(6,025,436)	10,205,08
Landfill Site	3,076,745	20,806,166	-	-	-	(129,950)	23,752,96
	3,570,457,426	29,401,446	(6,379,055)	62,214,956	(53,920,481)	(200,559,582)	3,401,214,71

Pledged as security

No Property, Plant and Equipment was pledged as security.

Assets subject to finance lease (Net carrying amount)

With the physical verification process that was done to correct the infrastructure asset register and the movable asset register during the current financial year, new classifications was used and therefore certain figures changed from the prior year to the current year. There were also assets found that were omitted from last year's asset register and these were subsequently added, also resulting in a change of prior period figures. Refer to note 56.

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

12. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4,931,694	(1,454,663)	3,477,031	3,379,999	(686,546)	2,693,453

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software, other	2,693,453	1,655,696	(104,000)	(768,118)	3,477,031

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12. Intangible assets (continued)

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	935,393	2,047,225	(289,165)	2,693,453

Details of valuation

The effective date of the revaluations was 01 July 2008.

The valuation was based on open market value for existing use.

These assumptions were based on current market conditions at the date of recalculation.

13. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	15,385,903	-	15,385,903	15,385,903	-	15,385,903

Reconciliation of heritage assets 2015

	Opening balance	Total
Historical buildings	15,385,903	15,385,903

Reconciliation of heritage assets 2014

	Opening balance	Grap 103 Additions	Total
Historical buildings	14,506,753	879,150	15,385,903

Grap 103

During the current financial year the mayoral chains were brought in as a heritage asset in terms of Grap 103.

14. Borrowings

At amortised cost

Financial liabilities	6,825,513	7,303,151
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Refer to Appendix A for further details on the borrowings.

Non-current liabilities

At amortised cost	6,284,291	6,825,513
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Current liabilities

At amortised cost	541,222	477,638
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	2015 R	2014 R
15. Finance lease obligation		
It is municipality policy to lease certain vehicles, computers, faxes, equipment and photo copy machines under finance leases.		
The average lease term was 3-5 years and the average effective borrowing rate was 11% (2014: 11%).		
During the current financial year no new lease agreements were entered into.		
16. Payables from exchange transactions		
Trade payables	23,618,228	19,817,264
Payments received in advanced	11,612,520	6,863,065
Staff leave accrual	9,137,382	8,262,453
Bonus	3,443,094	3,090,590
Other payables	3,336,465	3,767,209
Salary Control	1,775,184	945,008
	52,922,873	42,745,589
17. VAT payable		
VAT payable	-	29,290,116
18. Consumer deposits		
Electricity	2,417,491	2,275,816
Other	11,511	6,608
	2,429,002	2,282,424
Guarantees held in lieu of electricity and other deposits		
19. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
COGTA	806,883	3,320,809
National Lottery	-	1,000,000
	806,883	4,320,809
Movement during the year		
Balance at the beginning of the year	4,320,808	6,087,658
Additions during the year	250,342,633	269,181,578
Income recognition during the year	(253,856,558)	(270,948,427)
	806,883	4,320,809

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	2015 R	2014 R		
20. Provisions				
Reconciliation of provisions - 2015				
	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	9,460,700	-	264,700	9,725,400
Long service bonus (short term portion)	1,168,000	39,000	-	1,207,000
Long service bonus (long term portion)	7,033,136	1,133,000	-	8,166,136
	17,661,836	1,172,000	264,700	19,098,536
Reconciliation of provisions - 2014				
	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	2,945,966	6,597,604	(82,870)	9,460,700
Long service bonus (short term portion)	719,000	449,000	-	1,168,000
Long service bonus (long term portion)	6,689,136	344,000	-	7,033,136
	10,354,102	7,390,604	(82,870)	17,661,836
Non-current liabilities			17,891,536	16,493,836
Current liabilities			1,207,000	1,168,000
			19,098,536	17,661,836

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	2015 R	2014 R
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20. Provisions (continued)

1. Long Service Bonus

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality may become entitled to in future. GRAP 25 valuation was done by management for the 2013/2014 financial year and membership data used can be summarised as follow:

Number of current employees	700	733
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The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value long service awards liability - wholly unfunded	(8,201,000)	(7,408,000)
Service Cost	(1, 063,000)	(953,000)
Interest Cost	(664,000)	(592,000)
Actuarial Benefits paid	748,186	858,873
Actuarial gains/(losses)	(193,186)	(106,873)
As at 30 June	(9,373,000)	(8,201,000)

Key assumptions used

Financial Variables

The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables:

Financial Variable	Assumed Value 30-06-2015 (Current Valuation)	Assumed Value at 30-06-2014 (Preceding Valuation)
Discount Rate	7.96%	7.96%
CPI (Consumer Price Inflation)	6.33%	6.33%
Normal Salary Increase Rate	7.33%	7.33%
Net Effective Discount Rate**	0.59%	0.59%

Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

*Statement of Financial Position (herein referred to as the "balance sheet").

We use the nominal and real zero curves as at 30 June 2015 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

** The Net Effective Discount Rate is different for each relevant time period of the yield curves' various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

Normal Salary Inflation Rate

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	2015 R	2014 R
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20. Provisions (continued)

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2015 of 6.79%. As at the time of this valuation South African Municipal salaries' negotiations were still in progress. Therefore, for the purpose of performing this valuation, we have assumed that the previous year's increase rate of 6.79% is still relevant in this year's valuation. The next salary increase was assumed to take place on 01 July 2016.

In addition to the normal salary inflation rate, we assumed the following promotional salary increases:

Promotional Salary Increase Rates

Age Band	Promotional Increase
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45 and over	0%

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Withdrawal Decrements

A table setting out the assumed rates of withdrawal from service is set out below:

Age Band	Withdrawal Rate Males	Withdrawal Rate Females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

2. Environmental Rehabilitation (Landfill Sites)

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites at Ficksburg, Clocolan, Marquard and Senekal. Provision has been made for this cost based on actual cost calculations received from Consulting Engineers. The value of the provision is based on the expected future cost to rehabilitate the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The Municipality estimates the useful lives and makes assumptions as to the useful lives of these assets,

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	2015 R	2014 R
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20. Provisions (continued)

which influence the provision for future costs.

The following assumptions were used to calculate the provision:

- Total area expected to be rehabilitated: 329 000 square metres;
- Average rate per square metre: R42 escalating every year by 10%;
- Total area to be rehabilitated can be reconciled to the different sites as follows:

Ficksburg	98 000
Senekal	153 000
Marquard	17 000
Clocolan	61 000

Each of the landfill sites have a different lifespan for rehabilitation ranging from 5 years to 10 years and are best estimates provided for by the respective Manager waste management, parks and properties.

Ficksburg	10 Years
Senekal	10 Years
Marquard	1 Years
Clocolan	1 Years

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	2015	2014
	R	R

21. Employee benefit obligations

Defined benefit plan

The defined benefit plan, to which employees belong consists of the Free State Municipal Pension Fund, Free State Municipal Provident Fund, South African Local Authorities Pension Fund, South African Local Authorities Provident Fund, National Fund for Municipal Workers, Municipal Employees Pension Fund, South African Municipal Workers Union Provident Fund and the Municipal Councillors Pension Fund, governed by the Pension Fund Act of 1956

The actuarial valuation determined that the retirement plan was in a sound financial position.

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

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	2015 R	2014 R
21. Employee benefit obligations (continued)		
The Post Retirement Medical Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	520	458
Continuation members (e.g: Retirees, widows, orphans)	37	32
Total Members	557	490

The Municipality's current active employees and pensioners have the choice of participating in the following medical schemes:

- LA Health Medical Scheme;
- Bonitas Medical Scheme;
- Hosmed Medical Scheme;
- Samwumed Medical Scheme; and
- KeyHealth Medical Scheme

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation - wholly unfunded -	(41,184,000)	(50,573,806)
Service Cost	(1,994,000)	(2,854,000)
Interest Cost	(3,716,000)	(4,841,000)
Actuarial Benefits paid	1,279,204	1,039,549
Actuarial gains/(losses)	2,002,796	16,044,451
As at 30 June	(43,612,000)	(41,184,000)

Key assumptions used

Changes in valuation assumptions as at the valuation dates:

Financial Variable	30-06-2015 Valuation	30-06-2014 Valuation	% Change
Discount rate	8.94%	8.94%	0%
Consumer price inflation	7.05%	7.05%	0%
Medical aid Inflation	8.05%	8.05%	0%
Net effective discount rate	0.82%	0.82%	0%

Discount Rate

GRAP 25 defines the determination of the Discount Rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

*Statement of Financial Position (herein referred to as the "balance sheet").

We used the nominal and real zero curves as at 30 June 2015 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

Medical Aid Inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based)

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	2015 R	2014 R
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21. Employee benefit obligations (continued)

Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependants

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

Since this is the first time that we have done the valuation we were not able to do an exact breakdown of the actuarial gain shown above. However, the main reasons for the actuarial loss can be attributed to the following factors:

The main reasons for the actuarial gain can be attributed to the following factors:

1. Changes in economic variables – In this year's valuation we used the nominal and real zero curves as at 30 June 2015 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. As a result the interest rates, bond yields and inflation figures changed significantly. This resulted in a higher net effective discount rate and hence an overall decrease in the liability of around R 1,108,000.

2. Actual versus expected experience – Medical contributions increased by less than allowed for. The net effect of this and other smaller experience items was a decrease in the liability of around R 926,000.

The primary purpose of this valuation is to enable the Municipality to comply with the requirements of GRAP 25. The liability amounts are calculated in accordance with GRAP 25 and the related actuarial practice guidance note (APN 301) of the Actuarial Society of South Africa and can therefore be used in the compilation of the Annual Financial Statements of the Municipality.

The report is available for inspection at the Municipality.

Calculation of actuarial gains and losses

Actuarial (gains) losses – Plan assets	-	(16,044,451)
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22. Retirement Benefit Information

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans as listed below.

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	2015 R	2014 R
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22. Retirement Benefit Information (continued)

Defined contribution plans

The following are defined contribution plans:

- Free State Municipal Provident Fund
- South African Local Authorities Provident Fund
- National Fund for Municipal Workers
- Municipal Employees Pension Fund
- South African Municipal Workers Union Provident Fund
- Municipal Councillors Pension Fund.

The following are defined benefit plans

- Free State Municipal Pension Fund
- South African Local Authorities Pension Fund

These are not treated as a defined benefit plan as defined by GRAP 25, but as a defined contribution plan. These funds are multi employer plans and actuarial valuations done by actuaries could not be provided due to lack of information. According to the actuaries, it is not possible to report each municipality separately, thus it has been classified as a contribution plan. This is in line with the exemption in GRAP 25, which states that where information required for a defined benefit plan is not available in respect of multi employer and state plans, these should be accounted for as defined contribution plans.

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2010. These valuations indicate that the funds are in sound financial position. The estimated liabilities of the fund is R 7 418 million (2009: R 6 568 million) which is adequately financed by assets of R 7 110 million (2009: R 6 304 million). The actuarial valuations states that the fund is currently 96% funded by employer contributions. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation.

A few employees belong to the Free State Municipal Pension Fund. The latest actuarial valuations of the fund was on 30 June 2005. These valuations indicate that the fund is in a sound financial position. The estimated liabilities of the fund is R1 308 million which is adequately financed by assets of R 1 531 million.

23. Service charges

Sale of electricity	65,740,375	53,965,354
Sale of water	37,327,423	24,678,522
Sewerage and sanitation charges	18,668,068	14,496,880
Refuse removal	21,819,987	17,050,976
Other service charges	130,740	154,102
	143,686,593	110,345,834

24. Rental of facilities and equipment

Rental of facilities	1,298,235	701,364
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25. Other income

Sundry income	5,132,747	311,315
Skills Development Claims	963,080	343,488
Cemetery Fees	290,016	267,655
Commission	224,093	425,267
Post Retirement Medical Actuarial Gain	2,002,796	16,044,451
	8,612,732	17,392,176

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	2015 R	2014 R
26. Interest and Dividends received - investment		
Dividend revenue		
Unlisted financial assets - Local	32,189	29,974
Interest revenue		
Interest earned on cash and bank	231,208	2,902,981
Bank	2,226,712	-
Interest charged on trade and other receivables	19,993,457	19,388,904
	22,451,377	22,291,885
	32,189	29,974
	22,451,377	22,291,885
	22,483,566	22,321,859
27. Property rates		
Rates received		
Residential	34,589,911	15,349,754
State	22,321,699	18,156,835
Less: Income forgone	(13,307,629)	(65,129)
	43,603,981	33,441,460
Income forgone consists of the 5% discount allowed if property rates are paid in advance.		
Valuations		
Residential	2,344,134,099	1,691,409,551
Commercial	360,381,500	311,861,254
State	309,399,400	185,233,500
Municipal	32,015,600	74,050,100
Small holdings and farms	2,439,991,720	1,102,352,000
Churches	36,818,000	35,049,100
	5,522,740,319	3,399,955,505

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.04 (2014: R0.1) is applied to property valuations to determine assessment rates. Rebates of 85% (2014: 93,9%) are granted to residential, commercial and small holdings and farm property owners.

Rates are levied on an annual basis with equal payments over twelve months. Interest at prime plus 1% per annum is levied on outstanding rates.

The new general valuation was implemented on 1 July 2014.

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	2015 R	2014 R
28. Government grants and subsidies		
Operating grants		
Equitable share	165,381,001	165,019,000
EPWP Grant	2,632,000	1,750,000
Municipal Systems Improvement Grant (MSIG)	934,000	890,000
Financial Management Grant (FMG)	1,600,000	1,550,000
Department of Water Affairs Grant	15,871,065	15,664,605
COGTA Grant	3,013,925	5,536,602
Independent Development Trust	503,759	-
	<u>189,935,750</u>	<u>190,410,207</u>
Capital grants		
MIG Grant	59,660,001	78,600,659
Lotto Grant	1,000,000	-
	<u>60,660,001</u>	<u>78,600,659</u>
	<u>250,595,751</u>	<u>269,010,866</u>

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 254 (2014: R 248), which is funded from the grant.

MIG Grant

Balance unspent at beginning of year	-	6,087,659
Current-year receipts	59,660,000	72,513,001
Conditions met - transferred to revenue	(59,660,000)	(78,600,660)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 19).

In terms of the MFMA Circular No.48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. The entity reports at year-end all unspent conditional grants were committed to identifiable projects.

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grants was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

DBSA Grant

This grant was used to compile masterplans for Roads and Stormwater, Electricity Network, Water network and Sewer Network.

EPWP Grant

Current-year receipts	2,632,000	1,750,000
Conditions met - transferred to revenue	(2,632,000)	(1,750,000)

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	2015 R	2014 R
28. Government grants and subsidies (continued)		
	-	-
This grant is used in respect of job creation projects and programmes.		
Municipal Systems Improvement Grant (MSIG)		
Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(934,000)	(890,000)
	-	-
The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government and the Municipal Systems Act.		
Financial Management Grant (FMG)		
Current-year receipts	1,600,000	1,550,000
Conditions met - transferred to revenue	(1,600,000)	(1,550,000)
	-	-
The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.		
Department of Water Affairs Grant		
Current-year receipts	15,871,065	15,664,606
Conditions met - transferred to revenue	(15,871,065)	(15,664,606)
	-	-
This grant was used to address water loss control and assisting with water shortages in Clocolan, Marquard and Senekal during drought period.		
COGTA Grant		
Balance unspent at beginning of year	3,320,809	-
Current-year receipts	500,000	10,794,970
Conditions met - transferred to revenue	(2,513,926)	(6,974,161)
Other	(500,000)	(500,000)
	806,883	3,320,809
Conditions still to be met - remain liabilities (see note 19).		
Province give a grant to improve infrastructure during the year (PIG).		
COGTA also contributes R500 000 per year towards the Municipal Manager's salary.		
Independent Development Trust		
Current-year receipts	503,759	-
Other - Expenditure this year	(503,759)	-
	-	-
Conditions still to be met - remain liabilities (see note 19).		
The Independent Development Trust Provide explanations of conditions still to be met and other relevant information.		

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	2015 R	2014 R
28. Government grants and subsidies (continued)		
National Lottery		
Balance unspent at beginning of year	1,000,000	-
Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	(1,000,000)	-
	<u>-</u>	<u>1,000,000</u>

Conditions still to be met - remain liabilities (see note 19).

National Lottery gave this grant for the upgrading of the Hennie De Wet Stadium.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

29. Revenue

Service charges	143,686,593	110,345,834
Rental of facilities and equipment	1,298,235	701,364
Licences and permits	13,553	21,064
Sale of land	824,007	286,297
Insurance Claims	306,953	28,236
Other income	8,612,732	17,392,176
Interest received - investment	22,451,377	22,291,885
Dividends received	32,189	29,974
Property rates	43,603,981	33,441,460
Government grants & subsidies	250,595,751	269,010,866
Fines, Penalties and Forfeits	1,926,679	1,428,150
	<u>473,352,050</u>	<u>454,977,306</u>

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	143,686,593	110,345,834
Rental of facilities and equipment	1,298,235	701,364
Licences and permits	13,553	21,064
Sale of land	824,007	286,297
Insurance claims	306,953	28,236
Other income	8,612,732	17,392,176
Interest received - investment	22,451,377	22,291,885
Dividends received	32,189	29,974
	<u>177,225,639</u>	<u>151,096,830</u>

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	43,603,981	33,441,460
Transfer revenue		
Government grants & subsidies	250,595,751	269,010,866
Fines, Penalties and Forfeits	1,926,679	1,428,150
	<u>296,126,411</u>	<u>303,880,476</u>

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	2015 R	2014 R
30. Employee related costs		
Basic	92,895,349	80,736,291
Medical aid - company contributions	12,646,218	14,002,137
UIF	951,041	860,117
SDL	1,200,917	1,034,224
Leave pay provision charge	2,596,993	203,778
Contribution Medical Aid	1,161,009	829,639
Defined contribution plans	15,510,209	13,694,352
Travel, motor car, accommodation, subsistence and other allowances	9,555,903	7,360,105
Overtime payments	7,742,816	6,138,564
Long-service awards	1,920,185	1,651,874
Acting allowances	607,394	629,577
Housing benefits and allowances	368,639	342,641
Holiday Bonus	6,245,391	5,738,398
Allowance - Telephone	28,200	25,200
Industrial Council Levies	57,866	54,535
Telephone Allowance	529,161	286,956
	154,017,291	133,588,388

Remuneration of Municipal Manager - Mr STR Ramakarane

Annual Remuneration	1,398,309	1,281,205
Contributions to UIF, Medical and Pension Funds	18,079	15,815
Travel , accommodation , motor car and other subsistence allowances	278,364	303,810
Other	93,324	106,698
	1,788,076	1,707,528

COGTA financed an annual amount of R500,000.00 towards the salary of the Municipal Manager. Please refer to note 28

Remuneration of Chief Finance Officer - Mr GT Banda

Annual Remuneration	937,882	881,759
Contributions to UIF, Medical and Pension Funds	11,163	10,602
Travel , accommodation , motor car and other subsistence allowances	7,950	3,885
Other	67,742	27,492
	1,024,737	923,738

Remuneration of Chief Finance Officer (Acting) - Mr N van Tonder

Other	-	39,070
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Mr van Tonder was acting CFO for the months of April and May 2014 while Mr Banda was on sick leave.

Remuneration of Corporate Services Director - Mr T Masejane

Annual Remuneration	880,720	761,214
Contributions to UIF, Medical and Pension Funds	11,017	9,089
Travel , accommodation , motor car and other subsistence allowances	133,268	142,292
Other	61,171	41,880
	1,086,176	954,475

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	2015 R	2014 R
30. Employee related costs (continued)		
Remuneration of Development, Planning, Security Services - Mr M Ntheli		
Annual Remuneration	809,665	761,214
Contributions to UIF, Medical and Pension Funds	10,363	8,956
Travel , accommodation , motor car and other subsistence allowances	133,632	130,261
Other	80,928	69,545
	<u>1,034,588</u>	<u>969,976</u>
Remuneration of Engineering Services Director (Acting) - Mrs TF Zondi		
Other	-	98,308
	<u>-</u>	<u>98,308</u>
Mrs TF Zondi was appointed as acting Director on 1 March 2013. She was permanently appointed to the position from 1 December 2013.		
Remuneration of Technical Services Director - Mrs TF Zondi		
Annual Remuneration	704,234	417,160
Contributions to UIF, Medical and Pension Funds	10,610	5,794
Travel , accommodation , motor car and other subsistence allowances	235,719	135,827
Other	73,388	12,645
	<u>1,023,951</u>	<u>571,426</u>
Remuneration for Technical Services Director (Acting) - Mr MA Mokhethoa		
Other	-	45,740
	<u>-</u>	<u>45,740</u>
Mr MA Mokhethoa was appointed as acting Director from April 2014 to June 2014 while Mrs TF Zondi was on maternity leave.		
31. Remuneration of councillors		
Mayor	770,024	720,981
Speaker	620,639	580,798
Councillors	6,540,264	6,258,331
Executive Committee Members	1,953,320	1,871,637
	<u>9,884,247</u>	<u>9,431,747</u>
32. Administrative expenditure		
The Mayor and Speaker are appointed on a full-time basis. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council owned vehicle for official duties.		
33. Depreciation and amortisation		
Property, plant and equipment	<u>288,936,812</u>	<u>263,680,280</u>

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	2015 R	2014 R
34. Impairment of assets		
Impairments		
Impairment Fines Debtors	1,326,800	1,052,928
During the period ending 30 June 2014 the Setsoto Local Municipality changed its accounting policy, whereby traffic offence income included under fines, is now recognised on an accrual basis rather than on the cash basis.		
The reason for the change in accounting policy is as a result of an accounting guideline issued by National Treasury, which will have an impact on the application of GRAP 23 in the 2013 financial year.		
The change in accounting policy did result in a fair presentation of financial information		
	1,326,800	1,052,928
	-	-
35. Finance costs		
Trade and other payables	15,931	-
Bank	1,143	42,611
Current borrowings	901,722	998,443
	918,796	1,041,054
36. Debt impairment		
Contributions to debt impairment provision	25,097,238	57,167,595
37. Bulk purchases		
Electricity	53,594,386	52,561,888
38. Contracted services		
Specialist Services	7,582,086	7,259,404
39. Grants and subsidies paid		
Other subsidies		
Distutional help	20,315,947	3,876,829
Grants paid to ME's	-	-
Other subsidies	20,315,947	3,876,829
40. Loss on disposal of assets		
Loss on disposal of assets	87,524	5,670,141

During the current year the Municipality disposed of old and redundant asset.

There were also assets that were destroyed due to a fire and were paid out through insurance.

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Notes to the Financial Statements

	2015 R	2014 R
41. General expenses		
Advertising	626,580	1,259,421
Audit and Performance Audit Committee Expenses	360,509	30,878
Bank charges	372,221	310,408
Cleaning	273,494	207,650
Computer expenses	-	263,891
Consulting and professional fees	4,885,549	841,611
Casualty insurance	66,172	10,458
Industrial Council Levies	-	1,301
Donations	44,811	78,181
Conferences and delegations	124,374	385,531
Disaster management	20,455	5,871
Insurance	1,401,385	12,357,030
Town planning	2,792	231,615
Conferences and delegations	51,796	33,100
Levies paid	862	21,929
Youth expenditure	429,333	432,727
Fuel and oil	3,788,189	3,914,451
Postage and courier	1,025,223	1,082,743
Industrial Council Levies	2,039,657	2,183,662
Publicity	38,374	567,948
Protective clothing	275,045	964,232
License Fees	3,360,810	1,665,057
Security (Guarding of municipal property)	411,820	221,283
Subscriptions and membership fees	14,827	17,156
Telephone and fax	1,097,670	1,542,616
Training	1,120,618	2,691,403
Travel and subsistence	2,981,262	2,619,366
Valuation costs	208,678	1,228,070
Tourism development	469,298	-
Analysis	45,222	132,041
Casualty insurance	627,690	830,492
Departmental consumption	6,530,884	940,318
Pauper funerals	-	3,800
Manuring and weed control	61,352	1,067
Streetlight electricity consumption	942,755	1,451,712
Ward committee expenses	959,000	1,025,386
IDP establishment	338,998	1,474,380
Meter reading costs	69,295	57,747
Chemicals	4,411,404	5,459,004
Skills development levy	1,335,997	1,007,564
Other expenses	7,453,576	3,801,329
	48,267,977	51,354,429

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Notes to the Financial Statements

	2015 R	2014 R
42. Cash generated from operations		
Deficit	(166,427,213)	(160,826,796)
Adjustments for:		
Depreciation and amortisation	288,936,812	263,680,280
Gain on sale of assets and liabilities	87,524	5,670,141
Impairment deficit	1,326,800	1,052,928
Debt impairment	25,097,238	57,167,595
Movements in retirement benefit assets and liabilities	2,428,000	(9,389,001)
Movements in provisions	1,436,700	7,307,734
Heritage Assets in terms of GRAP 103 accounted for:	-	879,150
Corrections effecting previous years	(46,537)	1,696
Correction of grant income	-	1,937,559
Changes in working capital:		
Inventories	(129,950)	(24,485)
Consumer debtors	(60,899,491)	(64,872,374)
Other receivables from non-exchange transactions	(13,555,560)	(5,202,431)
Payables from exchange transactions	10,177,284	(6,998,064)
VAT	13,771,431	(15,217,997)
Taxes and transfers payable (non exchange)	(29,290,116)	20,368,492
Unspent conditional grants and receipts	(3,513,926)	(1,766,850)
Consumer deposits	146,578	40,970
	69,545,574	93,808,547
43. Capital commitments		
Commitments in respect of capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	16,769,441	5,893,562
• Investment property	14,093,262	19,395,674
• Other financial assets	4,683,700	5,354,150
	35,546,403	30,643,386
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	40,001,291	45,093,220
• Investment property	599,428	1,865,631
	40,600,719	46,958,851
Total capital commitments		
Already contracted for but not provided for	35,546,403	30,643,386
Not yet contracted for and authorised by accounting officer	40,600,719	46,958,851
	76,147,122	77,602,237
 This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.		
This expenditure will be financed from:		
Grants, subsidies and own funding	76,147,122	77,602,237

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Notes to the Financial Statements

	2015 R	2014 R
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44. Related parties

Related party transactions

Purchases from (sales to) related parties

ERB Marketing	187,000	180,000
Cemomo General Trading	-	144,281
Baseline Securities	54,250	38,960
Itumeleng Building & Training	626,606	-
Mtembana Construction	7,140	-

The IT Specialist have close family relations with the management of ERB Marketing that maintains the web site of council.

The secretary of the Technical Director has close family relations with the director of Cemomo General Trading which was appointed to transport water for the Municipality in the previous financial year (2014).

The owner of Baseline Securities have close family relations with the expenditure accountant.

The owner of Itumeleng Building and Training have close relations with the: Manager Human Resources.

The owner of Mthembana Construction have close family relations to Me. S Metithafa in Corporate Services.

Key management and Councillors

No transactions took place between the entity and key management personnel or their close family members during the reporting period.

Details relating to remuneration are disclosed in note 30 for key management and note 31 for Councillors.

Setsoto Integrated Dairy

Setsoto Integrated Dairy is a related party to the Municipality. During the current financial year there were no financial transactions between the Municipality and the entity.

45. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of financial position

Item 1

Receivables from non-exchange transactions (2014 AFS)	-	19,804,447
Receivables from non-exchange transactions (comparative in 2015 AFS)	-	17,866,887
Difference	-	1,937,560

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Notes to the Financial Statements

	2015 R	2014 R
45. Comparative figures (continued)		
Statement of Financial Performance		
Item 1		
Government grants & subsidies (2014 AFS)	-	270,948,426
Government grants & subsidies (comparative in 2015 AFS)	-	269,010,866
Difference	-	1,937,560
Item 2		
Other Income (2014 AFS)	-	17,396,900
Other Income (comparative in 2015 AFS)	-	17,392,176
Difference	-	4,724
Sale of land (2014 AFS)	-	281,573
Sale of land (comparative in 2015 AFS)	-	286,297
Difference	-	(4,724)
Item 3		
Employee related costs (2014 AFS)	-	133,615,112
Employee costs (comparative in 2015 AFS)	-	133,588,388
Difference	-	26,724
Remuneration of councillors (2014 AFS)	-	9,405,022
Remuneration of councillors (comparative in 2015 AFS)	-	9,431,747
Difference	-	(26,725)
Item 4		
General Expenses (2014 AFS)	-	59,866,951
General Expenses (comparative in 2015 AFS)	-	51,354,428
Difference	-	8,512,523
Lease rentals on operating lease (2014 AFS)	-	-
Lease rentals on operating lease (comparative in 2015 AFS)	-	8,512,523
Difference	-	(8,512,523)
Item 5		
Heritage Assets (2014 AFS)	-	14,506,753
Heritage Assets (comparative in 2015 AFS)	-	15,385,903
	-	879,150
Item 6		
Property, plant and equipment (2014 AFS)	-	3,401,062,412
Property, plant and equipment (comparative in 2015 AFS)	-	3,401,214,710
	-	152,298
Repairs and maintenance (2014 AFS)	-	19,995,587
Repairs and maintenance (comparative in 2015 AFS)	-	19,843,289
	-	(152,298)
Effect of Item 1 to 6 on Accumulated Surplus		
Accumulated Surplus (2014 AFS)	-	(3,503,922,413)
Effect of Item 1 above	-	1,937,560
Effect of Item 5 above	-	(879,150)
Effect of Item 6 above	-	(152,298)
Accumulated Surplus (comparative in 2015 AFS)	-	(3,503,016,301)
	-	849,883,170

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Notes to the Financial Statements

	2015 R	2014 R
45. Comparative figures (continued)		
Item 1 - This adjustment was done in terms of a Council resolution to fund a housing project of 1000 sites from own funds		
Item 2 and 4 - This reclassification was done as a result of remapping of certain amounts in Caseware.		
Item 5 - This is the effect of the Mayoral Chains that were accounted for in terms of GRAP103.		
Item 6 - During the asset verifying process certain assets were identified that were not captured on the asset register in 2014.		
46. Unauthorised expenditure		
Opening balance	147,032,593	154,181,493
Unauthorised expenditure	-	147,032,593
Irrecoverable and written off by the council	(147,032,593)	(154,181,493)
	<u>-</u>	<u>147,032,593</u>
Details of unauthorised expenditure		
Overspending of expenditure votes, mainly contributed by depreciation on revalued assets.	-	147,032,593
47. Fruitless and wasteful expenditure		
Opening balance	9,620	-
Fruitless and wasteful expenditure - current year	135,322	32,357
Irrecoverable and written off by the council	(144,942)	(22,737)
	<u>-</u>	<u>9,620</u>
Details of fruitless and wasteful expenditure		
Payments made on interest and penalties	-	135,322
48. Irregular expenditure		
Opening balance	63,310,946	115,554,516
Add: Irregular Expenditure - current year	33,047,835	74,744,136
Irrecoverable and written off by the council (Condoned)	(96,358,781)	(126,871,640)
Amounts recouped from councillors (see below)	-	(116,066)
	<u>-</u>	<u>63,310,946</u>
Overpayments of Councillors to be recouped		
Opening Balance	633,802	749,868
Current year	(90,319)	(116,066)
	<u>543,483</u>	<u>633,802</u>

During the 2010/11 and 2011/12 financial year Councillors were overpaid and Council's decision were to recouped this money.

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	2015 R	2014 R
48. Irregular expenditure (continued)		
Details of irregular expenditure – current year		-
Details of irregular expenditure		
Expenditure item identified where the SCM process and procedures were not followed.	-	1,454,344
Shortcomings on SCM processes identified during the audit	-	31,593,491
	<u>-</u>	<u>33,047,835</u>
49. Auditors' remuneration		
Audit and Performance Audit Committee	<u>360,509</u>	<u>30,878</u>
50. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	(956,290)	(822,352)
Current year subscription / fee	1,231,700	1,108,530
Amount paid - current year	(1,815,251)	(1,242,468)
	<u>(1,539,841)</u>	<u>(956,290)</u>
The amount of R1,539,841 is in respect of the 2015/2016 subscription and was paid in May 2015. Refer to note 6.		
Reticulation losses		
Estimated electricity losses suffered by the municipality for the year under review are as follows:		
Estimated electricity losses included distribution to townships with unmetered electricity.		
Estimated electricity losses	<u>16,658,061</u>	<u>21,690,046</u>
Estimated water losses suffered by the municipality for the year under review is as follows:		
Estimated water losses included distribution to townships with unmetered water.		
The Municipality is currently busy with a Revenue Enhancement Process to capture meters on the system.		
Water		
Estimated reticulation water losses	14,576,040	8,679,798
To townships not metered	5,713,617	4,272,661
	<u>20,289,657</u>	<u>12,952,459</u>
Audit fees		
Current year subscription / fee	5,814,216	4,974,717
Amount paid - current year	(5,808,017)	(4,822,833)
Amount paid - previous years	-	(151,884)
	<u>6,199</u>	<u>-</u>

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	2015 R	2014 R
50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE and UIF		
Current year subscription / fee	15,996,858	12,640,930
Amount paid - current year	(15,996,858)	(12,640,930)
	<u>-</u>	<u>-</u>
Pension and Medical Aid Deductions		
Current year subscription / fee	51,098,692	33,334,828
Amount paid - current year	(49,092,457)	(33,334,828)
	<u>2,006,235</u>	<u>-</u>
Skills Development Levy		
Current year subscription / fee	1,311,882	1,143,696
Amount paid - current year	(1,311,882)	(1,143,696)
	<u>-</u>	<u>-</u>
VAT		
VAT receivable	<u>41,600,390</u>	<u>55,371,821</u>

VAT output payables and VAT input receivables are shown in note 7 and 17.

All VAT returns have been submitted by the due date throughout the year.

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	2015 R	2014 R
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50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor KS Mokhuoane	564	2,865	3,429
Councillor MD Malebo	643	66	709
Councillor RV Mohala	965	7,514	8,479
Councillor TJ Tsolo	665	1,643	2,308
Councillor PI Mavaleliso	837	3,048	3,885
Councillor MH Semahla	947	2,574	3,521
Councillor MA Mahlangu	844	769	1,613
Councillor MC Nakasi	519	2,534	3,053
Councillor MM Rasunyane	688	1,874	2,562
Councillor MS Maduna	6,316	1,565	7,881
Councillor Mohlomi	684	172	856
	13,672	24,624	38,296

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor MWT Mabeleng	819	816	1,635
Councillor RV Mohala	651	6,850	7,501
Councillor MP Thamae	646	4,519	5,165
Councillor TJ Tsolo	967	2,080	3,047
Councillor PI Mavaleliso	665	3,410	4,075
Councillor MJ Raboroko	631	7,815	8,446
Councillor KE Koalane	741	6,822	7,563
Councillor MM Rasunyane	497	2,090	2,587
Councillor TM Muso	640	150	790
Councillor MP Mohlomi	1,993	1,906	3,899
Councillor KS Mokhuoane	1,427	9,366	10,793
Councillor TB Jakobo	7,494	5,168	12,662
	17,171	50,992	68,163

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2015	Highest outstanding amount	Aging (in days)
Councillor KS Mokhuoane	3,567	464
Councillor MD Malebo	817	156
Councillor RV Mohala	10,651	1,088
Councillor TJ Tsolo	2,310	284
Councillor PI Mavaleliso	4,373	462
Councillor MH Semahla	3,522	349
Councillor MA Mahlangu	1,666	197
Councillor MC Nakasi	3,113	429
Councillor MM Rasunyane	2,746	317
Councillor MS Maduna	8,450	128
Councillor Mohlomi	856	151

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	2015 R	2014 R
50. Additional disclosure in terms of Municipal Finance Management Act (continued)	42,071	4,025
30 June 2014	Highest outstanding amount	Aging (in days)
Councillor MWT Mabeleng	3,542	383
Councillor RV Mohala	7,502	949
Councillor MP Thamae	7,641	886
Councillor TJ Tsolo	3,047	288
Councillor PI Mavaleliso	5,376	604
Councillor MJ Raboroko	8,446	1,098
Councillor KE Koalane	7,563	951
Councillor MM Rasunyane	3,707	672
Councillor TM Muso	2,079	289
Councillor MP Mohlomi	3,899	582
Councillor KS Mokhuoane	10,793	699
Councillor TB Jakobo	14,102	169
	77,697	7,570

51. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Various goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the normal procurement processes as required by paragraph 12(1) of the same gazette. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. These deviations were recorded and reported to the meeting of Council.

52. In-kind donations and assistance

The Municipality did not receive any in-kind donations and assistance during the financial year.

53. Events after the reporting date

There are no significant matters to report after reporting date.

54. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a risk management unit under Municipal Manager Department and policies are approved by Council. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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	2015 R	2014 R
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54. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

With the exception of trade receivables, the economic entity only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the economic entity uses other publicly available financial information and its own trading records to rate its major customers.

The economic entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Potential concentrations of credit risk consist mainly of investments, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents

The credit exposure to any single counterparty is managed by setting transaction or exposure limits, which are included in the economic entity's Investment Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers.

Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by levying penalty charges, issuing demands for payment, restricting service and handing customers over for collection, whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2015 and 2014, the municipality's borrowings at variable rate were denominated in the Rand.

Setso Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
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55. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality is currently experiencing financial difficulties. Indicators of the financial problems are:

- The significant decrease in accounts payable of R (10,177,284) (2014: R 6,998,064);
- The municipality incurred a deficit of R 166,427,213 during the year (2014: deficit R 160,979,093);
- The creditors are not paid within 30 days as required by the MFMA;
- Debt collection period has not improved during the current year;
- The gross outstanding debtors increased from R 260,092,967 in 2014 to R 246,820,305 as at 30 June 2015;
- The provision for doubtful debts have been estimated at R (127,785,657) (2014: R (192,724,644)). This equates to approximately 52% of gross outstanding debtors (2014: 74%).
- At 30 June 2015 the municipality's current liabilities amounted to R 57,906,980 (2014: R 80,284,576), whilst the current assets amounted to R 176,520,811 (2014: R 149,701,299)..

We draw attention to the fact that at 30 June 2015, the municipality had accumulated surplus of R 3,336,542,550 and that the municipality's total assets exceed its liabilities by R 3,336,542,550.

Previously disadvantaged areas are charged a basic tariff on water as opposed to the consumption tariff, thus resulting in a possible loss of income for the municipality. The above challenges did not impair the municipality to deliver services to the community as mandated by the Constitution of the Republic of South Africa.

The municipality shall therefore continue to honour its financial obligations and strive to maintain its assets, and will therefore continue to exist within the foreseeable future, as a going concern.

The municipality is also exploring alternative options to improve its financial position.

56. Prior period errors

Derecognise Grant Revenue

During the period ending 30 June 2014 the Setso Local Municipality engage in a project to build a 1000 houses. During a council meeting it was decided that the Municipality will fund the over spending of this project out of own funds. This resulted in a correction of the reporting in the prior year as this was accounted for as a grant received from COGTA. The comparative amounts were restated accordingly.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Decrease in Receivables from non-exchange transactions	-	(1,937,560)
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Statement of Financial Performance

Decrease in Government grants & subsidies	-	1,937,560
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Heritage Assets

During the current year GRAP 103 was taken into account and therefore the Mayoral chain, that was previously carried at a zero value, was brought into account.

Statement of financial position

Heritage Assets	-	879,150
Accumulated Surplus or Deficit	-	(879,150)

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
--	-----------	-----------

56. Prior period errors (continued)

Movable assets not captured

Certain assets were identified that were not previously captured on the asset register.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Property, plant and equipment	-	152,298
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Statement of Financial Performance

Repairs and maintenance	-	(152,298)
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57. Contingencies

Contingent Liabilities - Pending claims

Damage to property - register available at Municipality	10,574,998	982,611
Costs to defend these cases	1,438,700	574,668
Arbitration awards were made to employees after their dismissal from the municipality. The employees were found to have been unfairly dismissed on 27 July 2014 and even though the municipality has issued an appeal with the labour court there might be a contingent liability	256,253	256,253
	<u>12,269,951</u>	<u>1,813,532</u>

58. Operating lease

The municipality have the following significant leasing arrangements:

- Nashua
- the basis on which contingent rent payable is determined is as follow
 - Nashua
 - photocopyers and printers
- there are no existing terms of purchases options on these contracts;

Minimum lease payments due

Within one year'	1,516,469	-
Year two and three	1,769,214	-
	<u>3,285,683</u>	<u>-</u>

59. Changes in accounting policy

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards that were adopted in 2014 Financial year and had therefore a impact on that years' information.:

- • GRAP 25 Employee Benefits.
- Fines

Employee Benefits (GRAP 25)

During the 2014 year, the municipality changed its accounting policy with respect to the treatment of Employee Benefits. In order to conform with the benchmark treatment in of GRAP25. The change in accounting policy had no material impact on the municipality's annual financial statements.

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
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59. Changes in accounting policy (continued)

Fines

During the period ending 30 June 2014 the Setsoto Local Municipality changed its accounting policy, whereby traffic offence income included under fines, is now recognised on an accrual basis rather than on the cash basis.

The reason for the change in accounting policy is as a result of an accounting guideline issued by National Treasury, which will have an impact on the application of GRAP 23 in the 2013 financial year. The change in accounting policy will result in a fair presentation of financial information.

The comparative amounts were restated accordingly.

60. Accumulated surplus

Changes to Accumulated Surplus

	Other	Total
Adjustment to prior year creditors	(721,369)	(721,369)
Accounts with no movement used in Sebata Financial System written off	767,913	767,913
	<u>-</u>	<u>-</u>

During the current year creditors were paid in respect of previous years. These payments were processed against the accumulated surplus account.

There were also accounts that were used in the Sebata Financial System that became redundant and had no movement for the current year. These accounts were also written off against the Accumulated Surplus.

Setsoto Local Municipality

(Registration number Municipal demarcation code FS191)

Appendix A

June 2015

Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
DBSA Loan @ 17%	13457	30/06/2020	1,616,032	-	173,796	1,442,236	-
DBSA Loan @ 11 %	101389	31/12/2024	5,687,119	-	303,842	5,383,277	-
			7,303,151	-	477,638	6,825,513	-
Total external loans							
Development Bank of South Africa			7,303,151	-	477,638	6,825,513	-
			7,303,151	-	477,638	6,825,513	-

Analysis of property, plant and equipment as at 30 June 2015
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Work in Progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	45,587,989	-	-	-	-	-	45,587,989	-	-	-	-	-	-	45,587,989
Landfill Sites (Separate for AFS purposes)	24,054,920	-	(82,165)	-	-	-	23,972,755	(301,959)	-	-	911,907	(118,188)	491,760	22,640,701
	69,642,909	-	(82,165)	-	-	-	69,560,744	(301,959)	-	-	911,907	(118,188)	491,760	68,228,690
Infrastructure														
General	4,364,401,513	23,557,992	-	-	-	47,231,129	4,435,190,634	1,318,927,633	-	-	(216,145,864)	(46,850,946)	1,581,924,443	2,853,266,191
	4,364,401,513	23,557,992	-	-	-	47,231,129	4,435,190,634	1,318,927,633	-	-	(216,145,864)	(46,850,946)	1,581,924,443	2,853,266,191
Community Assets														
General	367,821,394	1,631,134	-	-	-	-	369,452,528	(91,626,600)	-	-	(10,207,555)	(4,183,207)	(106,017,362)	263,435,166
	367,821,394	1,631,134	-	-	-	-	369,452,528	(91,626,600)	-	-	(10,207,555)	(4,183,207)	(106,017,362)	263,435,166

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Work in Progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Other property, plant and equipment

General	30,935,200	2,118,866	-	256,298	-	-	33,310,364	(20,882,412)	(21,440)	-	(4,034,532)	-	(24,938,384)	8,371,980
	30,935,200	2,118,866	-	256,298	-	-	33,310,364	(20,882,412)	(21,440)	-	(4,034,532)	-	(24,938,384)	8,371,980

June 2015

Cost/Revaluation

Total property plant and equipment

Land and buildings	69,642,909	-	(82,165)	-	-	-	69,560,744	(301,959)	-	-	911,907	(118,188)	491,760	68,228,690
Infrastructure	4,364,401,513	23,557,992	-	-	-	47,231,129	4,435,190,634	1,318,927,633	-	-	(216,145,864)	(46,850,946)	1,581,924,443	2,853,266,191
Community Assets	367,821,394	1,631,134	-	-	-	-	369,452,528	(91,626,600)	-	-	(10,207,555)	(4,183,207)	(106,017,362)	263,435,166
Other property, plant and equipment	30,935,200	2,118,866	-	256,298	-	-	33,310,364	(20,882,412)	(21,440)	-	(4,034,532)	-	(24,938,384)	8,371,980
	4,832,801,016	27,307,992	(82,165)	256,298	-	47,231,129	4,907,514,270	1,431,738,604	(21,440)	-	(229,476,044)	(51,152,341)	1,712,388,429	3,193,302,027

Intangible assets

Computers - software & programming	3,379,999	1,655,695	-	(104,000)	-	-	4,931,694	686,545	-	-	768,118	-	1,454,663	3,477,031
	3,379,999	1,655,695	-	(104,000)	-	-	4,931,694	686,545	-	-	768,118	-	1,454,663	3,477,031

Investment properties

Investment property	99,832,256	-	-	-	-	-	99,832,256	(23,621,623)	-	-	-	(5,763,415)	(29,385,038)	70,447,218
	99,832,256	-	-	-	-	-	99,832,256	(23,621,623)	-	-	-	(5,763,415)	(29,385,038)	70,447,218

Total

Land and buildings	69,642,909	-	(82,165)	-	-	69,560,744	(301,959)	-	-	911,907	(118,188)	491,760	68,228,690	
Infrastructure	4,364,401,513	23,557,992	-	-	-	47,231,129	4,435,190,634	1,318,927,633	-	-	(216,145,864)	(46,850,946)	1,581,924,443	2,853,266,191
Community Assets	367,821,394	1,631,134	-	-	-	369,452,528	(91,626,600)	-	-	(10,207,556)	(4,183,207)	(106,017,362)	283,435,166	
Other property, plant and equipment	30,935,200	2,118,866	-	256,298	-	33,310,364	(20,882,412)	(21,440)	-	(4,034,532)	-	(24,938,384)	8,371,980	
Intangible assets	3,379,999	1,655,695	-	(104,000)	-	4,931,694	686,545	-	-	768,118	-	1,454,663	3,477,031	
Investment properties	99,832,256	-	-	-	-	99,832,256	(23,621,623)	-	-	-	(5,763,415)	(29,385,038)	70,447,218	
	4,936,013,271	28,963,687	(82,165)	152,298	-	47,231,129	5,012,278,220	1,454,673,682)	(21,440)	-	(228,707,926)	(56,915,756)	1,740,318,804)	3,267,226,276

Setsoto Local Municipality
Setsoto Local Municipality
Appendix B

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
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Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
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Other property, plant and equipment

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
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June 2015

Cost/Revaluation	Accumulated Depreciation
100	0
100	10
100	20
100	30
100	40
100	50
100	60
100	70
100	80
100	90
100	100
100	110
100	120
100	130
100	140
100	150
100	160
100	170
100	180
100	190
100	200
100	210
100	220
100	230
100	240
100	250
100	260
100	270
100	280
100	290
100	300
100	310
100	320
100	330
100	340
100	350
100	360
100	370
100	380
100	390
100	400
100	410
100	420
100	430
100	440
100	450
100	460
100	470
100	480
100	490
100	500
100	510
100	520
100	530
100	540
100	550
100	560
100	570
100	580
100	590
100	600
100	610
100	620
100	630
100	640
100	650
100	660
100	670
100	680
100	690
100	700
100	710
100	720
100	730
100	740
100	750
100	760
100	770
100	780
100	790
100	800
100	810
100	820
100	830
100	840
100	850
100	860
100	870
100	880
100	890
100	900
100	910
100	920
100	930
100	940
100	950
100	960
100	970
100	980
100	990
100	1000

[illegible]

Setsoto Local Municipality

Appendix D

June 2015

Segmental Statement of Financial Performance for the year ended 2015 Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
126,571,548	94,610,067	31,961,481	Executive & Council/Mayor and Council	120,045,091	99,610,036	20,435,055
399,702	43,115,477	(42,715,775)	Finance & Admin/Finance	1,462,672	37,794,940	(36,332,268)
-	(201)	201	Health/Clinics	-	23,400	(23,400)
186,054	10,186,334	(10,000,280)	Comm. & Social/Libraries and archives	247,101	7,391,856	(7,144,755)
3,979,835	6,912,430	(2,932,595)	Housing	1,384,863	20,651,735	(19,266,872)
1,458,499	12,044,693	(10,586,194)	Public Safety/Police	1,955,028	16,548,636	(14,593,608)
33,289	33,599,193	(33,565,904)	Sport and Recreation	26,782,736	8,761,709	18,021,027
375	8,004	(7,629)	Environmental Protection/Pollution Control	36	-	36
60,255,831	68,703,375	(8,447,544)	Waste Water Management/Sewerage	93,464,663	42,775,859	50,688,804
25,754,400	15,567,763	10,186,637	Road Transport/Roads	36,223,722	281,712,804	(245,489,082)
133,329,424	256,101,379	(122,771,955)	Water/Water Distribution	73,254,062	39,060,938	34,193,124
97,338,205	69,285,450	28,052,761	Electricity /Electricity Distribution	118,444,553	85,359,817	33,084,726
449,307,162	610,133,964	(160,826,796)		473,264,527	639,691,730	(166,427,213)
Municipal Owned Entities						
Other charges						
449,307,162	610,133,964	(160,826,796)	Municipality	473,264,527	639,691,730	(166,427,213)
449,307,162	610,133,964	(160,826,796)	Total	473,264,527	639,691,730	(166,427,213)

Setsoto Local Municipality

Appendix E(1)

June 2015

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

	Current year 2014 Act. Bal. Rand	Current year 2014 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	43,603,981	35,000,000	8,603,981	24.6	
Service charges	143,686,594	151,129,786	(7,443,192)	(4.9)	
Rental of facilities and equipment	1,298,235	1,421,046	(122,811)	(8.6)	
Licences and permits	13,553	22,233	(8,680)	(39.0)	
Fines, Penalties & Forfeites	1,926,679	155,086	1,771,593	142.3	Increase traffic control
Government grants & subsidies	250,595,751	232,080,001	18,515,750	8.0	
Other income 1	824,007	65,517	758,490	157.7	Increase in Sundry Services
Other income 2	306,953	-	306,953	-	
Other income - (rollup)	8,612,733	1,526,982	7,085,751	464.0	Increase in Sundry Services
Interest received - investment	22,451,376	23,182,000	(730,624)	(3.2)	
Dividends received	32,189	35,000	(2,811)	(8.0)	
	473,352,051	444,617,651	28,734,400	6.5	
Other income Expenses					
Personnel	(154,017,291)	(148,136,909)	(5,880,382)	4.0	
Remuneration of councillors	(9,884,247)	(9,535,852)	(348,395)	3.7	
Depreciation	(288,936,812)	(24,782,470)	(264,154,342)	065.9	Impairment of Roads Infrastructure
Impairments	(1,326,800)	-	(1,326,800)	-	
Finance costs	(918,797)	(892,000)	(26,797)	3.0	
Bad debts written off	(25,097,237)	(44,000,000)	18,902,763	(43.0)	As a result of debtors with old debt written off
Collection costs	(18,623)	(253,088)	234,465	(92.6)	Contract to apoint service providers not yet finalised
Repairs and maintenance - General	(21,202,524)	(24,773,271)	3,570,747	(14.4)	Unexpected/Unplanned repairs

Setsoto Local Municipality

Appendix E(1)

June 2015

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

	Current year 2014 Act. Bal.	Current year 2014 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Bulk purchases	(53,594,386)	(58,242,000)	4,647,614	(8.0)
Contracted Services	(7,582,086)	(6,500,000)	(1,082,086)	16.6
Transfers and Subsidies	(20,315,947)	(11,480,000)	(8,835,947)	77.0
General Expenses	(56,796,980)	(51,767,108)	(5,029,872)	9.7
Other revenue and costs	(639,691,730)	(380,362,698)	(259,329,032)	68.2
Gain or loss on disposal of assets and liabilities	(87,524)	-	(87,524)	-
	(87,524)	-	(87,524)	-
Net surplus/ (deficit) for the year	(166,427,203)	64,254,953	(230,682,156)	(359.0)

Setsoto Local Municipality

Appendix E(2)

June 2015

Budget Analysis of Capital Expenditure as at 30 June 2015

	Yearly		Yearly		
	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Municipality					
Executive & Council/Mayor and Council	-	-	-	-	
Finance & Admin/Finance	-	-	-	-	
Comm. & Social/Libraries and archives	21,046,100	21,046,100	-	-	
Housing	3,013,925	3,013,925	-	-	
Public Safety/Police	-	-	-	-	
Sport and Recreation	1,000,000	1,000,000	-	-	
Waste Water	26,289,768	26,289,768	-	-	
Management/Sewerage					
Road Transport/Roads	3,983,289	3,983,289	-	-	
Water/Water Distribution	20,135,737	4,264,672	(15,871,065)	(372)	unconditional Grant received
Electricity /Electricity Distribution	919,269	919,269	-	-	
Waste management	592,077	592,077	-	-	
	76,980,165	61,109,100	(15,871,065)	(26)	

Setsoto Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2015

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar
MIG	National Treasury	12,034,000	25,575,000	-	22,051,000	-	(5,212,695)	(22,197,011)	(7,938,508)	(16,814,675)
FMG	National Treasury	1,600,000	-	-	-	-	(60,260)	(59,226)	(260,132)	(1,174,957)
MSIG	National Treasury	934,000	-	-	-	-	-	-	-	(928,393)
EPWP	Free State Provincial Department of Public Works	1,052,000	790,000	790,000	-	-	(382,652)	(455,671)	(702,113)	(743,441)
DWA	Department of Water Affairs	962,048	1,257,997	3,269,530	8,011,459	1,438,883	(962,048)	(1,257,997)	(3,269,530)	(8,011,459)
COGTA	Department of Cooperative Governance and Traditional Affairs	500,000	-	-	-	-	(768,822)	(1,040,107)	-	(838,653)
IDT	Independent Development Trust	-	-	251,954	251,806	-	-	-	(251,954)	(251,806)
Lotto Grant	National Lottery	-	-	-	-	-	-	(1,000,000)	-	-
Equitable Share	National Treasury	65,463,000	55,237,000	-	44,681,000	-	(65,463,000)	(55,237,000)	-	(44,681,000)
		82,545,048	82,859,997	4,311,484	74,995,265	1,438,883	(72,849,477)	(81,247,012)	(12,422,237)	(73,444,384)

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Setsoto Local Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2015

	2015/2014								2014/2013						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	130,147,863	113,716,437	243,864,300	-		243,864,300	121,595,286		(122,269,014)	50 %	93 %				132,641,391
Executive and council	48,666,182	49,168,832	97,835,014	-		97,835,014	50,770,918		(47,064,096)	52 %	104 %				73,727,183
Budget and treasury office	77,059,728	59,819,000	136,878,728	-		136,878,728	69,361,696		(67,517,032)	51 %	90 %				58,514,506
Corporate services	4,421,953	4,728,605	9,150,558	-		9,150,558	1,462,672		(7,687,886)	16 %	33 %				399,702
Community and public safety	1,348,960	1,203,604	2,552,564	-		2,552,564	30,369,728		27,817,164	1,190 %	2,251 %				5,657,677
Community and social services	453,640	347,559	801,199	-		801,199	247,101		(554,098)	31 %	54 %				186,054
Sport and recreation	57,240	25,446	82,686	-		82,686	26,782,736		26,700,050	32,391 %	46,790 %				33,289
Public safety	291,600	280,599	572,199	-		572,199	1,955,028		1,382,829	342 %	670 %				1,458,499
Housing	546,480	550,000	1,096,480	-		1,096,480	1,384,863		288,383	126 %	253 %				3,979,835
Economic and environmental services	28,556,698	28,555,380	57,112,078	-		57,112,078	36,223,758		(20,888,320)	63 %	127 %				25,754,775
Road transport	28,556,698	28,555,380	57,112,078	-		57,112,078	36,223,722		(20,888,356)	63 %	127 %				25,754,400
Environmental protection	-	-	-	-		-	36		36	DIV/0 %	DIV/0 %				375
Trading services	288,638,283	301,142,228	589,780,511	-		589,780,511	285,163,278		(304,617,233)	48 %	99 %				193,585,630
Electricity	108,654,176	118,310,517	226,964,693	-		226,964,693	118,444,554		(108,520,139)	52 %	109 %				375
Water	113,855,109	112,889,498	226,744,607	-		226,744,607	73,254,062		(153,490,545)	32 %	64 %				133,329,424
Waste water management	28,359,966	30,040,810	58,400,776	-		58,400,776	53,047,374		(5,353,402)	91 %	187 %				26,533,927
Waste management	37,769,032	39,901,403	77,670,435	-		77,670,435	40,417,288		(37,253,147)	52 %	107 %				33,721,904
Total Revenue - Standard	448,691,804	444,617,649	893,309,453	-		893,309,453	473,352,050		(419,957,403)	53 %	105 %				357,639,473

Setso Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2015

	2015/2014								2014/2013						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	107,008,936	109,513,936	216,522,872	-	-	216,522,872	137,317,452	-	(79,205,420)	63 %	128 %	-	-	-	132,055,403
Executive and council	45,521,357	55,706,381	101,227,738	-	-	101,227,738	68,432,362	-	(32,795,376)	68 %	150 %	-	-	-	55,074,137
Budget and treasury office	32,520,426	74,303,928	106,824,354	-	-	106,824,354	31,090,150	-	(75,734,204)	29 %	96 %	-	-	-	33,865,789
Corporate services	28,967,153	(20,496,373)	8,470,780	-	-	8,470,780	37,794,940	-	29,324,160	446 %	130 %	-	-	-	43,115,477
Community and public safety	120,265,818	111,148,732	231,414,550	-	-	231,414,550	138,912,210	-	(92,502,340)	60 %	116 %	-	-	-	62,742,449
Community and social services	7,045,133	768,207	7,813,340	-	-	7,813,340	7,391,856	-	(421,484)	95 %	105 %	-	-	-	10,186,334
Sport and recreation	9,503,916	216,948	9,720,864	-	-	9,720,864	8,761,709	-	(959,155)	90 %	92 %	-	-	-	33,599,193
Public safety	13,771,931	214,275	13,986,206	-	-	13,986,206	16,548,636	-	2,562,430	118 %	120 %	-	-	-	12,044,693
Housing	7,538,363	170,642	7,709,005	-	-	7,709,005	20,651,735	-	12,942,730	268 %	274 %	-	-	-	6,912,430
Health	82,406,475	109,778,660	192,185,135	-	-	192,185,135	85,558,274	-	(106,626,861)	45 %	104 %	-	-	-	(201)
Economic and environmental services	22,472,228	43,322	22,515,550	-	-	22,515,550	281,712,804	-	259,197,254	1,251 %	1,254 %	-	-	-	15,575,767
Road transport	22,472,228	43,322	22,515,550	-	-	22,515,550	281,712,804	-	259,197,254	1,251 %	1,254 %	-	-	-	15,567,763
Trading services	137,148,686	159,656,712	296,805,398	-	-	296,805,398	81,836,797	-	(214,968,601)	28 %	60 %	-	-	-	324,812,759
Water	50,826,079	105,247,685	156,073,764	-	-	156,073,764	39,060,938	-	(117,012,826)	25 %	77 %	-	-	-	256,101,380
Waste water management	42,392,326	22,242,768	64,635,094	-	-	64,635,094	6,087,441	-	(58,547,653)	9 %	14 %	-	-	-	29,442,542
Waste management	43,930,281	32,166,259	76,096,540	-	-	76,096,540	36,688,418	-	(39,408,122)	48 %	84 %	-	-	-	39,260,833
Total Expenditure - Standard	386,895,668	380,362,702	767,258,370	-	-	767,258,370	639,779,263	-	(127,479,107)	83 %	165 %	-	-	-	535,186,378
Surplus/(Deficit) for the year	61,796,136	64,254,947	126,051,083	-		126,051,083	(166,427,213)		(292,478,296)	(132)%	(269)%				(177,546,905)

Setsoto Local Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2015

	2015/2014							2014/2013							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Executive & COUNCIL	48,666,182	502,650	49,168,832	-		49,168,832	50,771,000		1,602,168	103 %	104 %				73,727,183
Budget and Treasury office	77,059,728	(17,240,728)	59,819,000	-		59,819,000	69,274,000		9,455,000	116 %	90 %				52,844,365
CORPORATE SUPPORT SERVICES	4,421,953	306,652	4,728,605	-		4,728,605	1,463,000		(3,265,605)	31 %	33 %				399,702
COMMUNITY SERVICES	453,640	(106,081)	347,559	-		347,559	247,000		(100,559)	71 %	54 %				186,054
Sport and Recreation	57,240	(31,794)	25,446	-		25,446	26,783,000		26,757,554	105,254 %	46,791 %				33,289
Public Safety	291,600	(11,001)	280,599	-		280,599	1,955,000		1,674,401	697 %	670 %				1,458,499
Housing	546,480	3,520	550,000	-		550,000	1,385,000		835,000	252 %	253 %				3,979,835
Road Transport	28,556,698	(1,318)	28,555,380	-		28,555,380	36,224,000		7,668,620	127 %	127 %				25,754,400
Electricity	108,654,175	9,656,344	118,310,519	-		118,310,519	118,445,000		134,481	100 %	109 %				97,338,205
Water	113,855,109	(965,611)	112,889,498	-		112,889,498	73,254,000		(39,635,498)	65 %	64 %				133,329,424
Waste Water management	28,359,966	1,680,843	30,040,809	-		30,040,809	53,047,000		23,006,191	177 %	187 %				26,533,927
Waste management	37,769,032	2,132,371	39,901,403	-		39,901,403	40,417,000		515,597	101 %	107 %				33,721,904
Total Revenue by Vote	448,691,803	(4,074,153)	444,617,650	-		444,617,650	473,265,000		28,647,350	106 %	105 %				449,306,787
Expenditure by Vote to be appropriated															
Executive and council	45,521,357	10,185,024	55,706,381	-	-	55,706,381	68,432,362	-	12,725,981	123 %	150 %	-	-	-	55,074,137
Budget and treasury office	32,520,426	41,783,503	74,303,929	-	-	74,303,929	31,177,674	-	(43,126,255)	42 %	96 %	-	-	-	39,535,930
Corporate services	28,967,153	(49,463,526)	(20,496,373)	-	-	(20,496,373)	37,794,940	-	58,291,313	(184)%	130 %	-	-	-	43,115,477
Community and social services	7,045,133	(6,276,925)	768,208	-	-	768,208	7,391,856	-	6,623,648	962 %	105 %	-	-	-	10,186,334
Sport and recreation	9,503,916	(9,286,968)	216,948	-	-	216,948	8,761,709	-	8,544,761	4,039 %	92 %	-	-	-	33,599,193
Public safety	13,771,931	(13,557,656)	214,275	-	-	214,275	16,548,636	-	16,334,361	7,723 %	120 %	-	-	-	12,044,693
Housing	7,538,363	(7,367,721)	170,642	-	-	170,642	20,651,735	-	20,481,093	12,102 %	274 %	-	-	-	6,912,430
Road transport	22,472,228	(22,428,907)	43,321	-	-	43,321	281,712,804	-	281,669,483	650,292 %	1,254 %	-	-	-	15,567,763
Electricity	82,406,473	26,037,460	108,443,933	-	-	108,443,933	85,359,817	-	(23,084,116)	79 %	104 %	-	-	-	69,285,450
Water	50,826,079	54,421,607	105,247,686	-	-	105,247,686	39,060,938	-	(66,186,748)	37 %	77 %	-	-	-	256,101,380
Waste water management	42,392,326	(20,149,558)	22,242,768	-	-	22,242,768	6,087,441	-	(16,155,327)	27 %	14 %	-	-	-	29,442,542
Waste management	43,930,281	(11,764,022)	32,166,259	-	-	32,166,259	36,688,418	-	4,522,159	114 %	84 %	-	-	-	39,260,833
Health	-	-	-	-	-	-	23,400	-	23,400	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure by Vote	386,895,666	(7,867,689)	379,027,977	-	-	379,027,977	639,691,730	-	260,663,753	169 %	165 %	-	-	-	610,134,166
Surplus/(Deficit) for the year	61,796,137	3,793,536	65,589,673	-		65,589,673	(166,426,730)		(232,016,403)	(254)%	(269)%				(160,827,379)

Setsoto Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2015

	2015/2014								2014/2013						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	39,956,768	35,000,000	74,956,768	-		74,956,768	43,603,980		(31,352,788)	58 %	109 %				33,441,460
Service charges - electricity revenue	63,341,862	73,033,545	136,375,407	-		136,375,407	65,740,375		(70,635,032)	48 %	104 %				53,965,353
Service charges - water revenue	30,171,900	37,520,435	67,692,335	-		67,692,335	37,327,423		(30,364,912)	55 %	124 %				24,678,522
Service charges - sanitation revenue	16,769,500	18,600,096	35,369,596	-		35,369,596	18,668,069		(16,701,527)	53 %	111 %				14,496,879
Service charges - refuse revenue	19,750,500	21,896,515	41,647,015	-		41,647,015	82,567,512		40,920,497	198 %	418 %				17,050,976
Service charges - other	242,041	79,195	321,236	-		321,236	130,740		(190,496)	41 %	54 %				154,102
Rental of facilities and equipment	794,232	1,421,046	2,215,278	-		2,215,278	1,298,235		(917,043)	59 %	163 %				701,365
Interest earned - external investments	1,951,200	1,182,000	3,133,200	-		3,133,200	2,457,920		(675,280)	78 %	126 %				2,902,981
Interest earned - outstanding debtors	32,440,000	22,000,000	54,440,000	-		54,440,000	19,993,457		(34,446,543)	37 %	62 %				19,388,904
Dividends received	35,000	35,000	70,000	-		70,000	32,189		(37,811)	46 %	92 %				29,974
Fines	291,600	155,086	446,686	-		446,686	1,926,679		1,479,993	431 %	661 %				1,428,150
Licences and permits	40,000	22,233	62,233	-		62,233	13,553		(48,680)	22 %	34 %				21,064
Transfers recognised - operational	180,030,000	176,542,000	356,572,000	-		356,572,000	189,935,749		(166,636,251)	53 %	106 %				274,681,010
Other revenue	3,217,200	1,592,499	4,809,699	-		4,809,699	9,743,693		4,933,994	203 %	303 %				17,706,707
Gains on disposal of PPE	-	-	-	-		-	(87,524)		(87,524)	DIV/0 %	DIV/0 %				(5,670,141)
Total Revenue (excluding capital transfers and contributions)	389,031,803	389,079,650	778,111,453	-		778,111,453	473,352,050		(304,759,403)	61 %	122 %				454,977,306

Setsotho Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2015

	2015/2014							2014/2013							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand

Setsoto Local Municipality

Appendix G4

Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2015

	2015/2014								2014/2013						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Single-year expenditure															

Setsotho Local Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2015

	2015/2014							2014/2013							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard															
Community and public safety	25,060,025	-	25,060,025	-	-	25,060,025	25,060,025	-	-	100 %	100 %	-	-	-	2,880,000
Community and social services	21,046,100	-	21,046,100	-	-	21,046,100	21,046,100	-	-	100 %	100 %	-	-	-	-
Sport and recreation	1,000,000	-	1,000,000	-	-	1,000,000	1,000,000	-	-	100 %	100 %	-	-	-	1,400,000
Housing	3,013,925	-	3,013,925	-	-	3,013,925	3,013,925	-	-	100 %	100 %	-	-	-	1,330,000
Economic and environmental services	3,983,289	-	3,983,289	-	-	3,983,289	3,983,289	-	-	100 %	100 %	-	-	-	7,000,000
Road transport	3,983,289	-	3,983,289	-	-	3,983,289	3,983,289	-	-	100 %	100 %	-	-	-	7,000,000
Trading services	32,065,786	-	32,065,786	-	-	32,065,786	47,936,851	-	15,871,065	149 %	149 %	-	-	-	150,914,359
Electricity	919,269	-	919,269	-	-	919,269	919,269	-	-	100 %	100 %	-	-	-	-
Water	4,264,672	-	4,264,672	-	-	4,264,672	20,135,737	-	15,871,065	472 %	472 %	-	-	-	142,800,000
Waste water management	26,289,768	-	26,289,768	-	-	26,289,768	26,289,768	-	-	100 %	100 %	-	-	-	6,089,359
Waste management	592,077	-	592,077	-	-	592,077	592,077	-	-	100 %	100 %	-	-	-	2,025,000
Total Capital Expenditure - Standard	61,109,100	-	61,109,100	-	-	61,109,100	76,980,165	-	15,871,065	126 %	126 %	-	-	-	165,669,359
Funded by:															

Setsoto Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2015

	2015/2014						2014		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand
Cash flow from operating activities									
Ratepayers and other	174,575,603	14,745,048	189,320,651	189,320,651	150,916,212	(38,404,439)	80 %	86 %	149,835,907
Government - operating	180,030,000	(3,488,000)	176,542,000	176,542,000	189,935,749	13,393,749	108 %	106 %	190,410,207
Government - capital	59,660,000	(4,122,000)	55,538,000	55,538,000	60,660,001	5,122,001	109 %	102 %	78,600,659
Interest	34,391,200	(11,209,200)	23,182,000	23,182,000	22,451,376	(730,624)	97 %	65 %	22,291,885
Dividends	35,000	-	35,000	35,000	32,189	(2,811)	92 %	92 %	29,974
Suppliers and employees	(342,994,907)	(322,071)	(343,316,978)	(343,316,978)	(334,601,401)	8,715,577	97 %	98 %	(344,311,297)
Finance charges	(997,000)	105,000	(892,000)	(892,000)	(918,797)	(26,797)	103 %	92 %	(1,041,053)
Transfers and Grants	(8,228,000)	(3,252,000)	(11,480,000)	(11,480,000)	(20,315,947)	(8,835,947)	177 %	247 %	(3,876,829)
Net cash flow from/used operating activities	96,471,896	(7,543,223)	88,928,673	88,928,673	68,159,382	(20,769,291)	77 %	71 %	91,939,453
Cash flow from investing activities									
Proceeds on disposal of PPE	-	-	-	-	(87,524)	(87,524)	DIV/0 %	DIV/0 %	(5,670,141)
Decrease (increase) other non-current receivables	(508,455)	408,455	(100,000)	(100,000)	(62,311)	37,689	62 %	12 %	1,294
Decrease (increase) in non-current investments	-	-	-	-	(506,139)	(506,139)	DIV/0 %	DIV/0 %	(392,422)
Capital assets	(4,084,835)	(3,117,961)	(7,202,796)	(7,202,796)	(7,860,444)	(657,648)	109 %	192 %	-
Net cash flow from/used investing activities	(4,593,290)	(2,709,506)	(7,302,796)	(7,302,796)	(8,516,418)	(1,213,622)	117 %	185 %	(6,061,269)
Cash flow from financing activities									
Borrowing long term/refinancing	-	-	-	-	63,584	63,584	DIV/0 %	DIV/0 %	(1,123,012)
Increase (decrease) in consumer deposits	-	-	-	-	146,579	146,579	DIV/0 %	DIV/0 %	40,970
Repayment of borrowing	-	-	-	-	(541,222)	(541,222)	DIV/0 %	DIV/0 %	-
Net cash flow from/used financing activities	-	-	-	-	(331,059)	(331,059)	DIV/0 %	DIV/0 %	(1,082,042)
Net increase/(decrease) in cash held Cash/cash equivalents at the year begin:	91,878,606	(10,252,729)	81,625,877	81,625,877	59,311,905	(22,313,972)	73 %	65 %	84,796,142
					12,597,634				15,428,196
Cash/cash equivalents at the year end:	91,878,606	(10,252,729)	81,625,877	81,625,877	71,909,539	(22,313,972)	88 %	78 %	